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CHAPTER 2A

JOB ORDER COSTING

CHAPTER LEARNING OBJECTIVES

1. ***Describe cost systems and the flow of costs in job order system.*** Cost accounting involves the procedures for measuring, recording, and reporting product and service costs. From the data accumulated, companies determine the total cost and the unit cost of each product. The two basic types of cost accounting systems are process cost and job order cost.

   In job order costing, companies first accumulate manufacturing costs in three accounts: Raw Materials Inventory, Factory Labor, and Manufacturing Overhead. They then assign the accumulated costs to Work in Process Inventory and eventually to Finished Goods Inventory and Cost of Goods Sold.

2. ***Use a job cost sheet to assign costs to work in process.*** A job cost sheet is a form used to record the costs chargeable to a specific job and to determine the total and unit costs of the completed job. Job cost sheets constitute the subsidiary ledger for the Work in Process Inventory control account.

3. ***Demonstrate how to determine and use the predetermined overhead rate.*** The predetermined overhead rate is based on the relationship between estimated annual overhead costs and estimated annual operating activity. This is expressed in terms of a common activity base, such as direct labor cost. Companies use this rate to assign overhead costs to work in process and to specific jobs.

4. ***Record manufacturing and service jobs completed and sold.*** When jobs are completed, companies add the cost to Finished Goods Inventory and remove it from Work in Process Inventory. When a job is sold, companies increase Cost of Goods Sold and decrease Finished Goods Inventory for the cost of the goods.

5. ***Distinguish between under- or overapplied manufacturing overhead.*** Underapplied manufacturing overhead indicates that the overhead assigned to work in process is less than the overhead incurred. Overapplied overhead indicates that the overhead assigned to work in process is greater than the overhead incurred.

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TRUE-FALSE STATEMENTS

1. Cost accounting is primarily concerned with accumulating information about product costs.

Ans: T, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

2. A job order cost system is most appropriate when a large volume of uniform products is produced.

Ans: F, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

3. A process cost accounting system is appropriate for similar products that are continuously mass produced.

Ans: T, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

4. The perpetual inventory method **cannot** be used in a job order cost system.

Ans: F, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

5. A job order cost system and a process cost system are two alternative methods for accumulating product costs.

Ans: T, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

6. A job order cost system identifies costs with a particular job rather than with a set time period.

Ans: T, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

7. A company may use either a job order cost system or a process cost system, but **not** both.

Ans: F, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

8. Raw Materials Inventory, Factory Labor, and Manufacturing Overhead are all control accounts is a job order cost system.

Ans: F, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

9. Accumulating and assigning manufacturing costs are two important activities in a job order cost system.

Ans: T, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

10. Recording the acquisition cost of raw materials is a part of accumulating manufacturing costs.

Ans: T, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

11. The acquisition of raw materials increases an asset.

Ans: T, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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12. The Work in Process Inventory account is decreased for all raw materials purchase returns and allowances.

Ans: F, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

13. When raw materials are received, **no** effort is made at this point to associate the cost of the materials with specific jobs.

Ans: T, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

14. When raw materials are purchased, the Work in Process Inventory account is increased.

Ans: F, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

15. Factory labor should be assigned to selling and administrative expenses on a proportionate basis.

Ans: F, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

16. Benefits and payroll taxes associated with factory workers should be accumulated as a part of Factory Labor.

Ans: T, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

17. Job order cost sheets constitute the subsidiary ledger of the control account, Work in Process Inventory.

Ans: T, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

18. In a job order cost system, each entry to the Work in Process Inventory account should be accompanied by a posting to one or more job cost sheets.

Ans: T, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

19. Direct materials requisitioned increase the Work in Process Inventory account and the job cost sheets for the individual jobs on which the materials are used.

Ans: T, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

20. Manufacturing overhead is the only product cost that can be assigned to jobs as soon as the costs are incurred.

Ans: F, LO: 3 Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

21. There should be a separate job cost sheet for each job.

Ans: T, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

22. Actual manufacturing overhead costs are assigned to each job by tracing each overhead cost to a specific job.

Ans: F, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

23. The equation for the predetermined overhead rate is estimated annual overhead costs divided by an estimated volume of annual operating activity.

Ans: T, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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24. Actual manufacturing overhead costs should be recorded in the Work in Process Inventory account as they are incurred.

Ans: F, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

25. A job order cost sheet be destroyed as soon as the job is complete.

Ans: F, LO: 4, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FC: System and Process Management, AICPA PC: Ethical Conduct, IMA: Cost Management

26. Finished Goods Inventory is increased for the cost of jobs completed during a period.

Ans: T, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

27. When goods are sold, Cost of Goods Sold is increased and Work in Process Inventory account is decreased.

Ans: F, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

28. Total manufacturing costs for a period consists of the costs of direct materials used, the cost of direct labor incurred, and the manufacturing overhead applied during the period.

Ans: T, LO: 5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

29. Overapplied overhead means that actual manufacturing overhead costs were greater than the manufacturing overhead costs applied to jobs.

Ans: F, LO: 5, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

30. At the end of the year, the amount of the overapplied overhead is recorded as a decrease to Cost of Goods Sold.

Ans: T, LO: 5, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

31. A cost accounting system consists of manufacturing cost accounts that are fully integrated into the accounting records of a company.

Ans: T, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

32. The cost of raw materials purchased is recorded as a decrease to Raw Materials Inventory when materials are received.

Ans: F, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

33. Requisitions for direct materials are recorded daily to the individual job cost sheets.

Ans: T, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: None, AICPA PC: None, IMA: Cost Management

34. The predetermined overhead rate is based on the relationship between estimated annual overhead costs and estimated volume of annual operating activity expressed in terms of a common activity base.

Ans: T, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

35. At the end of the year, underapplied overhead is usually recorded as a decrease to Cost of Goods Sold.

Ans: F, LO: 5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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Answers to True-False Statements

Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.
1.	T	6.	T	11.	F	16.	T	21.	T	26.	T	31.	T
2.	F	7.	F	12.	F	17.	T	22.	F	27.	F	32.	F
3.	T	8.	F	13.	T	18.	T	23.	T	28.	T	33.	T
4.	F	9.	T	14.	F	19.	T	24.	F	29.	F	34.	T
5.	T	10.	T	15.	F	20.	F	25.	F	30.	T	35.	F

MULTIPLE CHOICE QUESTIONS

36. Which of the following is one of the components of cost accounting?
    a. It involves measuring product costs.
    b. It involves the determination of company profits.
    c. It requires GAAP to be applied.
    d. It requires cost minimizing principles.

Ans: A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

37. A major purpose of cost accounting is to
    a. classify all costs as operating or nonoperating.
    b. measure, record, and report period costs.
    c. provide information to stockholders for investment decisions.
    d. measure, record, and report product costs.

Ans: D, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

38. The two basic types of cost accounting systems are
    a. job order and job accumulation systems.
    b. job order and process cost systems.
    c. process cost and batch systems.
    d. job order and batch systems.

Ans: B, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

39. A process cost system would most likely be used by a company that makes
    a. videos.
    b. repairs to automobiles.
    c. breakfast cereal.
    d. college graduation announcements.

Ans: C, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

40. Which of the following would be accounted for using a job order cost system?
    a. The production of cell phones.
    b. The production of automobiles.
    c. The refining of petroleum.
    d. The construction of a new campus building.

Ans: D, LO: 1, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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41. Process costing is used when
    a. the production process is continuous.
    b. production is aimed at filling a specific customer order.
    c. dissimilar products are involved.
    d. costs are to be assigned to specific jobs.

Ans: A, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

42. Process costing is **not** used when
    a. similar goods are being produced.
    b. large volumes are produced.
    c. jobs have distinguishing characteristics.
    d. a series of connected manufacturing processes is necessary.

Ans: C, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

43. An important feature of a job order cost system is that each job
    a. must be similar to previous jobs completed.
    b. has its own distinguishing characteristics.
    c. must be completed before a new job is accepted.
    d. consists of one unit of output.

Ans: B, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

44. As of December 31, 2022, Stand Still Industries had $2,500 of raw materials inventory. At the beginning of 2022, there was $2,000 of materials on hand. During the year, the company purchased $375,000 of materials; however, it paid for only $312,500. How much inventory was requisitioned for use on jobs during 2022?
    a. $312,000
    b. $374,500
    c. $375,500
    d. $313,000

Ans: B, LO: 1, Bloom: AP, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: Process and Resource Management Perspectives, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: $2,000 + $375,000 – $2,500 = $374,500

45. The flow of costs in a job order cost system
    a. involves accumulating manufacturing costs incurred and assigning the accumulated costs to work done.
    b. cannot be measured until all jobs are complete.
    c. measures product costs for a set time period.
    d. generally follows a LIFO cost flow assumption.

Ans: A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

46. In a job order cost accounting system, the Raw Materials Inventory account is
    a. increased when the Manufacturing Overhead account is decreased.
    b. increased for the purchase of direct and indirect materials
    c. not used.
    d. used to accumulate period costs.

Ans: B, LO: 1, Bloom: K, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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47. When a job is completed and all costs have been accumulated on a job cost sheet, the journal entry that should be made is
    a. Increase Finished Goods Inventory and decrease Raw Materials Inventory, Factory Labor, and Manufacturing Overhead.
    b. Increase Work in Process Inventory and decrease Raw Materials Inventory, Factory Labor, and Manufacturing Overhead.
    c. Increase Raw Materials Inventory and decrease Work in Process Inventory.
    d. Increase Finished Goods Inventory and decrease Work in Process Inventory.

Ans: D, LO: 1, Bloom: C, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

48. The two major steps in the flow of costs are
    a. allocating and assigning.
    b. acquiring and accumulating.
    c. accumulating and assigning.
    d. accumulating and amortizing.

Ans: C, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

49. The Raw Materials Inventory account is
    a. a subsidiary account.
    b. increased for invoice costs and freight costs chargeable to the purchaser.
    c. increased for purchase discounts taken.
    d. increased for purchase returns and allowances.

Ans: B, LO: 1, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

50. When raw materials are ordered, the Raw Materials Inventory account
    a. is increased if Accounts Payable is decreased.
    b. is decreased when the goods are shipped.
    c. is increased if the purchase is for direct materials.
    d. is not adjusted until the goods are received.

Ans: D, LO: 1, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

51. The Raw Materials Inventory account is increased for the cost of raw materials when the
    a. materials are ordered.
    b. materials are received.
    c. materials are put into production.
    d. bill for the materials is paid.

Ans: B, LO: 1, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

52. Which of the following is included in factory labor costs?
    a. Gross earnings
    b. Employer payroll taxes
    c. Employee benefits
    d. All of these are included

Ans: D, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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53. All of the following would be recorded in assigning accumulated costs to the Work in Process Inventory **except**
    a. the purchase of raw materials.
    b. raw materials are used.
    c. overhead is applied.
    d. factory labor is used.

Ans: A, LO: 1, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

54. Factory labor costs
    a. are accumulated in a control account.
    b. do not include pension costs.
    c. include vacation pay.
    d. are based on workers' net pay.

Ans: C, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

55. Factory Labor
    a. is an expense account.
    b. is a control account for direct and indirect labor.
    c. is a subsidiary account for direct and indirect labor.
    d. accumulates the cost of factors labor.

Ans: D, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

56. Kline Manufacturing has the following labor costs:

Factory—Gross wages	$500,000
Factory—Net wages	420,000
Employer Payroll Taxes Payable	50,000

    The amount recorded as an increase to Factory Labor will be
    a. $550,000.
    b. $500,000.
    c. $470,000.
    d. $450,000.

Ans: A, LO: 1, Bloom: AP, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: $500,000 + $50,000 = $550,000

57. Factory labor costs
    a. accumulate in advance of utilization.
    b. accumulate in a control account.
    c. include sick pay earned by factory workers.
    d. accumulate in Factory Labor Expense.

Ans: C, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

58. Which of the following is **not** a control account?
    a. Work in Process Inventory
    b. Finished Goods Inventory
    c. Both Work in Process Inventory and Finished Goods Inventory are control accounts.
    d. Neither Work in Process Inventory nor Finished Goods Inventory are control accounts.

Ans: D, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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59. Factory labor is increased for
    a. gross wages of direct labor.
    b. net wages of factory labor.
    c. gross wages and benefits of factory labor.
    d. net wages and benefits of factory labor.

Ans: C, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

60. The acquisition of raw materials will
    a. increase Work in Process Inventory.
    b. increase Manufacturing Overhead and decrease Raw Materials Inventory.
    c. increase Raw Materials Inventory and Manufacturing Overhead.
    d. increase Raw Materials Inventory.

Ans: D, LO: 1, Bloom: C, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

61. Which one of the following best describes a job cost sheet?
    a. It is a form used to record the costs chargeable to a specific job and to determine the total and unit costs of the completed job.
    b. It is used to track manufacturing overhead costs to specific jobs.
    c. It is used by management to understand how direct costs affect profitability.
    d. It is a daily form that management uses for tracking worker productivity on which employee raises are based.

Ans: A, LO: 2, Bloom: K, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

62. Job cost sheets constitute the subsidiary ledger for the
    a. Finished Goods Inventory account.
    b. Cost of Goods Sold account.
    c. Work in Process Inventory account.
    d. Cost of Goods Manufactured account.

Ans: C, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

63. A materials requisition slip showed direct materials requisitions of $66,000 and indirect materials requisitions of $9,000. This transaction will
    a. Increase Work in Process Inventory $66,000 and decrease Raw Materials Inventory $66,000.
    b. Increase Direct Materials $66,000, increase Indirect Materials $9,000, and decrease Work in Process Inventory.
    c. Increase Manufacturing Overhead $75,000 and decrease Raw Materials Inventory $75,000.
    d. Increase Work in Process Inventory $66,000, increase Manufacturing Overhead $9,000, and decrease Raw Materials Inventory $75,000.

Ans: D, LO: 2, Bloom: AP, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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64. A job cost sheet does **not** show
    a. the costs chargeable to a specific job.
    b. the total costs of a completed job.
    c. the unit cost of a completed job.
    d. the cost of goods sold.

Ans: D, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

65. Under an effective system of internal control, an authorization for issuing materials is made
    a. orally.
    b. on a prenumbered materials requisition slip.
    c. by the accounting department.
    d. by anyone on the production line.

Ans: B, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FC: System and Process Management, AICPA PC: Ethical Conduct, IMA: Cost Management

66. The materials requisition slip would **not** include the
    a. quantity of materials requisitioned.
    b. stock number of the materials requisitioned.
    c. cost per unit of the materials requisitioned.
    d. name of the supplier for the materials requisitioned.

Ans: D, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

67. Materials requisition slips are costed
    a. by production supervisors.
    b. by factory personnel who work on the production line.
    c. after the goods have been sold.
    d. using any of the inventory costing methods.

Ans: D, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

68. Transactions are posted to control accounts in a costing system
    a. monthly.
    b. daily.
    c. annually.
    d. semi-annually.

Ans: A, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

69. Which one of the following should be equal to the total of the Work in Process Inventory account at the end of the period?
    a. The total of the amounts transferred from raw materials for the current period
    b. The sum of the costs shown on the job cost sheets of unfinished jobs
    c. The total of manufacturing overhead applied to work in process for the period
    d. The total manufacturing costs for the period

Ans: B, LO: 2, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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70. Which of the following is not included on a time ticket?
    a. overtime hours worked by the employee
    b. job number
    c. materials requisitioned
    d. account to be charged

Ans: C, LO: 2, Bloom: C, Difficulty: Moderate, Min: 2, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

71. A time ticket does **not** indicate the
    a. employee's name.
    b. account to be charged.
    c. number of personal exemptions claimed by the employee.
    d. job number.

Ans: C, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

72. Which one of the following is a source document that requires a posting to the job cost sheet?
    a. Raw materials receiving slips
    b. Materials purchase orders
    c. Labor time tickets
    d. Finished goods shipping documents

Ans: C, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

73. Time tickets should be approved by
    a. the audit committee.
    b. co-workers.
    c. the employee's supervisor.
    d. the payroll department.

Ans: C, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

74. If the entry to assign factory labor showed only an increase to Work in Process Inventory, then all labor costs were
    a. direct labor.
    b. indirect labor.
    c. overtime related.
    d. regular hours.

Ans: A, LO: 2, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

75. The principal accounting record used in assigning costs to jobs is
    a. the job cost sheet.
    b. the cost of goods manufactured schedule.
    c. the Manufacturing Overhead account.
    d. the raw materials requisition form.

Ans: A, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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76. The following information is available for completed Job No. 402: direct materials, $120,000; direct labor, $180,000; manufacturing overhead applied, $90,000; units produced, 5,000 units; units sold, 4,000 units. The cost of the finished goods on hand from this job is
    a. $60,000.
    b. $390,000.
    c. $78,000.
    d. $312,000.

Ans: C, LO: 2, 4, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: (($120,000 + $180,000 + $90,000) / 5,000) x 1,000 = $78,000.

77. Sportly, Inc. completed Job No. B14 during 2022. The job cost sheet listed the following:

Direct materials	$110,000
Direct labor	$60,000
Manufacturing overhead applied	$82,000
Units produced	3,000 units
Units sold	1,800 units

    What is the cost of the finished goods on hand from this job?
    a. $151,200
    b. $126,000
    c. $100,800
    d. $102,000

Ans: C, LO: 2, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: (($110,000 + $60,000 + $82,000) / 3,000) x 1,200 = $100,800

78. Madison Inc. uses job order costing for its line of dual zone wine refrigerators. The cost incurred for production during 2022 totaled $18,000 of materials, $9,000 of direct labor costs, and $6,000 of manufacturing overhead applied. The company ships all goods as soon as they are completed which results in no finished goods inventory on hand at the end of any year. Beginning Work in Process Inventory totaled $15,000, and the ending balance is $9,000. During the year, the company completed 25 refrigerators. What is the cost per refrigerator?
    a. $1,080
    b. $1,560
    c. $1,320
    d. $1,920

Ans: B, LO: 2, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: (($18,000 + $9,000 + $6,000) + ($15,000 – $9,000)) / 25 = $1,560

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79. As of December 31, 2022, Nilsen Company had $2,000 of raw materials inventory. At the beginning of 2022, there was $1,600 of raw materials on hand. During the year, the company purchased $354,000 of raw materials and paid raw materials invoices totaling $314,000. How much raw materials inventory was requisitioned for use on jobs during 2022?
    a. $354,400
    b. $352,000
    c. $343,600
    d. $353,600

Ans: D, LO: 2, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: ($1,600 + $354,000 – $2,000) = $353,600

80. Cost of goods manufactured equals $85,000 for 2022. Finished Goods Inventory is $2,000 at the beginning of the year and $5,500 at the end of the year. Beginning and ending Work in Process Inventory for 2022 are $4,000 and $5,000, respectively. What is Cost of Goods Sold for the year?
    a. $080,500
    b. $83,000
    c. $81,500
    d. $88,500

Ans: C, LO: 4, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: ($2,000 + $85,000 – $5,500) = $81,500

81. A company estimated its annual overhead costs to be $1,500,000 and its direct labor costs to be $1,000,000. Actual overhead was $1,450,000, and actual labor costs totaled $1,100,000. What is the company's predetermined overhead rate based on direct labor costs (rounded to the nearest cent)?
    a. $1.45
    b. $1.32
    c. $1.50
    d. $1.36

Ans: C, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: ($1,500,000 / $1,000,000) = $1.50

82. Vektek, Inc. considers machine hours to be the best activity base for allocating its manufacturing overhead. At the beginning of the current period, the company estimated annual overhead costs totaling $2,050,000. The company used 1,000 hours of processing on Job No. B12 during the period and incurred manufacturing overhead costs totaling $2,100,000. The estimated machine hours for the year totaled 20,000. How much overhead should be applied to Job No. B12?
    a. $2,100
    b. $102,500
    c. $105,000
    d. $2,050

Ans: B, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: ($2,050,000 / 20,000) = $102.50 x 1,000 = $102,500

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83. Barr Mfg. provided the following information from its accounting records for 2022:

Estimated production	60,000 labor hours
Actual production	56,000 labor hours
Estimated overhead	$900,000
Actual overhead	$870,000

What is the predetermined overhead rate if Barr bases the rate on direct labor hours (rounded to the nearest cent)?

a. $16.07 per hour
b. $15.00 per hour
c. $14.50 per hour
d. $15.54 per hour

Ans: B, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: ($900,000 / 60,000) = $15

84. Kinney Company applies overhead on the basis of 150% of direct labor cost. Job No. 176 incurs $150,000 of direct materials costs and $180,000 of manufacturing overhead. The total manufacturing costs for Job No. 176 is

a. $330,000.
b. $430,000.
c. $450,000.
d. $405,000.

Ans: C, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: $150,000 + ($180,000 / 1.5) + $180,000 = $450,000

85. Redman Company manufactures customized desks. The following pertains to Job No. 978:

Direct materials used	$15,450
Direct labor hours worked	360
Direct labor rate per hour	$15
Machine hours used	300
Predetermined overhead rate per machine hour	$22

What is the total manufacturing cost for Job No. 978?

a. $25,650
b. $27,450
c. $28,950
d. $30,750

Ans: B, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: $15,450 + (360 x $15) + (300 x $22) = $27,450

86. Henson Company applies overhead on the basis of 120% of direct labor cost. Job No. 190 is increased with $140,000 of direct materials costs and $180,000 of manufacturing overhead. The total manufacturing costs for Job No. 190 is

a. $320,000.
b. $488,000.
c. $348,000.
d. $470,000.

Ans: D, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: $140,000 + ($180,000 / 1.2) + $180,000 = $470,000

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87. Norman Company manufactures customized plexiglass shields. The following pertains to Job No. 953:

Direct materials used	$22,800
Direct labor hours worked	600
Direct labor rate per hour	$16
Machine hours used	400
Predetermined overhead rate per machine hour	$30

What is the total manufacturing cost for Job No. 953?
a. $41,200
b. $44,400
c. $47,200
d. $50,400

Ans: B, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: $22,800 + (600 x $16) + (400 x $30) = $44,400

88. Minton Company provided the following information from its accounting records for 2022:

Estimated production	60,000 direct labor hours
Actual production	56,000 direct labor hours
Estimated overhead	$1,800,000
Actual overhead	$1,740,000

What is the predetermined overhead rate if Minton Company bases it on direct labor hours (rounded to the nearest cent)?
a. $30.00 per hour
b. $29.00 per hour
c. $32.14 per hour
d. $31.07 per hour

Ans: A, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: $1,800,000 / 60,000 = $30

89. Labor costs that have been identified as indirect labor are recorded as
a. manufacturing overhead.
b. direct labor.
c. the individual jobs worked on.
d. salary expense.

Ans: A, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

90. Manufacturing overhead is applied to each job
a. at the time when the overhead cost is incurred.
b. by means of a predetermined overhead rate.
c. at the end of the year when actual costs are known.
d. only if the overhead costs can be directly traced to that job.

Ans: B, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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91. The predetermined overhead rate is based on the relationship between
    a. estimated annual costs and actual activity.
    b. estimated annual costs and estimated annual activity.
    c. actual monthly costs and actual annual activity.
    d. estimated monthly costs and actual monthly activity.

Ans: B, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

92. The predetermined overhead rate is
    a. determined on a moving average basis throughout the year.
    b. not calculated until actual overhead costs are incurred.
    c. determined at the beginning of the year.
    d. determined at the end of the current year.

Ans: C, LO: 3, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

93. In calculating a predetermined overhead rate, a recent trend in automated manufacturing operations is to choose an activity base related to
    a. direct labor hours.
    b. indirect labor dollars.
    c. machine hours.
    d. raw materials dollars.

Ans: C, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

94. Annual overhead costs are estimated to be $750,000 and direct labor costs are estimated to be $1,000,000. If the activity base for calculation of the overhead rate is direct labor costs,
    a. $1.33 is the predetermined overhead rate.
    b. for every dollar of manufacturing overhead, 75 cents of direct labor will be assigned.
    c. for every dollar of direct labor, 75 cents of manufacturing overhead will be assigned.
    d. a predetermined overhead rate cannot be determined.

Ans: C, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: $750,000 / $1,000,000 = $0.75

95. Overhead application is recorded as a(n)
    a. decrease to Work in Process Inventory.
    b. decrease to Manufacturing Overhead.
    c. increase to Manufacturing Overhead.
    d. decrease to job cost sheets.

Ans: B, LO: 3, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

96. Manufacturing overhead applied plus direct labor incurred and what other item equals total manufacturing costs for the period?
    a. Goods available for sale
    b. Raw materials purchased
    c. Work in process inventory
    d. Direct materials used

Ans: D, LO: 3, Bloom: K, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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97. Simmons Inc. applies overhead to production at a predetermined rate of 90% of direct labor cost. Job No. 250, the only job still in process at the end of August, has been charged with manufacturing overhead of $8,100. What was the amount of direct materials added to Job No. 250 if the balance in Work in Process Inventory is $30,000?
    a. $ 8,100.
    b. $ 9,000.
    c. $12,900.
    d. $14,610.

Ans: C, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: x + ($8,100 / .90) + $8,100 = $30,000; x = $12,900

98. Spencer Inc. applies overhead to production at a predetermined rate of 80% of direct labor cost. Job No. 130, the only job still in process at the end of August, has been charged with manufacturing overhead of $6,400. What was the amount of direct materials added to Job No. 130 if the balance in Work in Process Inventory is $20,000?
    a. $7,000.
    b. $6,400.
    c. $5,600.
    d. $8,480.

Ans: C, LO: 3, Bloom: AP, Difficulty: Hard, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: ($6,400 / .80) + $6,400 + x = $20,000; x = $5,600

99. For Jacobs Company, the predetermined overhead rate is 70% of direct labor cost. During the month, $600,000 of factory labor was incurred of which $140,000 is indirect labor. Actual overhead incurred was $320,000. The amount of overhead charged to Work in Process Inventory is
    a. $322,000
    b. $320,000
    c. $420,000
    d. $460,000

Ans: A, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: ($600,000 – $140,000) x .70 = $322,000

100. Simpson Company applies overhead on the basis of 200% of direct labor cost. Job No. 305 is increased with $180,000 of direct materials costs and $200,000 of manufacturing overhead. The total manufacturing costs for Job No. 305 is
    a. $380,000.
    b. $480,000.
    c. $560,000.
    d. $580,000.

Ans: B, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: $180,000 + ($200,000 / 2) + $200,000 = $480,000

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101. For Wilton Company, the predetermined overhead rate is 70% of direct labor cost. During the month, $720,000 of Factory Labor was incurred of which $200,000 is indirect labor. Actual overhead incurred was $360,000. The amount of overhead charged to Work in Process Inventory is
    a. $364,000.
    b. $360,000.
    c. $504,000.
    d. $520,000.

Ans: A, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: ($720,000 – $200,000) x .70 = $364,000

102. At the beginning of the year, Monroe Company estimates annual overhead costs to be $2,400,000 with a volume of 300,000 machine hours. Using machine hours as a base, the amount of overhead applied during the year if actual volume for the year was 315,000 hours is
    a. $2,400,000.
    b. $2,285,714.
    c. $1,680,000.
    d. $2,520,000.

Ans: D, LO: 3 Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: ($2,400,000 / 300,000) x 315,000 = $2,520,000

103. Cost of goods sold can be determined from
    a. analysis of all the control accounts in the cost system.
    b. the Finished Goods Inventory records.
    c. the Work in Process Inventory records.
    d. the Raw Materials Inventory account.

Ans: B, LO: 4, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

104. When determining the costs of jobs, how does a company account for indirect materials?
    a. They are added to work in process as used.
    b. They remain part of the raw materials inventory.
    c. They are transferred out of raw materials inventory into manufacturing overhead when used.
    d. They are transferred out of raw materials inventory into work in process inventory as used.

Ans: C, LO: 4, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

105. In a job order cost system, a decrease to Manufacturing Overhead will be accompanied by an increase to
    a. Cost of Goods Manufactured.
    b. Finished Goods Inventory.
    c. Work in Process Inventory.
    d. Raw Materials Inventory.

Ans: C, LO: 4, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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106. During 2022, Tanner Manufacturing estimated Job No. 26 to cost $300,000 of overhead, $500,000 of materials, and $200,000 in labor. Tanner applied overhead based on direct labor cost. Actual production required an overhead cost of $290,000, $550,000 in materials, and $220,000 in labor. All of the goods were completed. What amount was transferred to Finished Goods Inventory for Job No. 26?
    a. $1,000,000
    b. $1,060,000
    c. $1,070,000
    d. $1,100,000

Ans: D, LO: 4, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: $300,000 / $200,000 = 150% x $220,000 = $330,000 + $550,000 + $220,000 = $1,100,000

107. Increases to Work in Process Inventory are accompanied by decreases to all but which of the following accounts?
    a. Raw Materials Inventory
    b. Factory Labor
    c. Manufacturing Overhead
    d. Cost of Goods Sold

Ans: D, LO: 4, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

108. Which of the following transactions is **not** part of accumulating manufacturing costs in a job order cost system?
    a. Cost of goods sold is recognized.
    b. Raw materials are purchased.
    c. Factory labor is incurred.
    d. Manufacturing overhead is incurred.

Ans: A, LO: 4, Bloom: C, Difficulty: Hard, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

109. Which one of the following is **not** a part of assigning manufacturing costs in a job order cost system?
    a. Manufacturing overhead is applied.
    b. Raw materials are used.
    c. Manufacturing overhead is incurred.
    d. Factory labor is incurred.

Ans: C, LO: 4, Bloom: C, Difficulty: Hard, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

110. In determining total manufacturing costs on the cost of goods manufactured schedule,
    a. beginning Work in Process Inventory should have a zero balance.
    b. actual manufacturing overhead costs appear as a deduction.
    c. manufacturing overhead applied is added to direct materials and direct labor.
    d. ending Work in Process Inventory is deducted from beginning Work in Process Inventory.

Ans: C, LO: 5 Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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111. Gulick Company developed the following data for the current year:

Beginning Work in Process Inventory	$240,000
Direct materials used	144,000
Actual overhead	288,000
Overhead applied	216,000
Cost of goods manufactured	264,000
Total manufacturing costs	720,000

Gulick Company's direct labor cost for the year is
a. $72,000.
b. $360,000.
c. $216,000.
d. $288,000.5

Ans: B, LO: 4, Bloom: AN, Difficulty: Hard, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Reporting
Solution: $720,000 – $144,000 – $216,000 = $360,000

112. Gulick Company developed the following data for the current year:

Beginning Work in Process Inventory	$240,000
Direct materials used	144,000
Actual overhead	288,000
Overhead applied	216,000
Cost of goods manufactured	264,000
Total manufacturing costs	720,000

Gulick Company's ending Work in Process Inventory is
a. $696,000.
b. $480,000.
c. $456,000.
d. $216,000.

Ans: A, LO: 5 Bloom: AN, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Reporting
Solution: $240,000 + $720,000 – x = $264,000; x = $696,000

113. Hayward Manufacturing Company developed the following data:

Beginning Work in Process Inventory	$900,000
Direct materials used	700,000
Actual overhead	1,100,000
Overhead applied	800,000
Cost of goods manufactured	1,200,000
Ending Work in Process Inventory	1,500,000

Hayward Manufacturing Company's total manufacturing costs for the period is
a. $1,900,000.
b. $1,800,000.
c. $1,300,000.
d. cannot be determined from the data provided.

Ans: B, LO: 5 Bloom: AN, Difficulty: Hard, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Reporting
Solution: $900,000 + x – $1,500,000 = $1,200,000; x = $1,800,000

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114. Which of the following is **not** used in assigning manufacturing costs to Work in Process Inventory?
   a. Actual manufacturing overhead
   b. Time tickets
   c. Materials requisitions
   d. Predetermined overhead rate

Ans: A, LO: 4, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

115. On the cost of goods manufactured schedule, the cost of goods manufactured agrees with the
   a. balance of Finished Goods Inventory at the end of the period.
   b. total additions to Work in Process Inventory during the period.
   c. amount transferred from Work in Process Inventory to Finished Goods Inventory during the period.
   d. increases to Cost of Goods Sold during the period.

Ans: C, LO: 5 Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

116. Gannon Company had the following information at December 31:

Finished goods inventory, January 1	$ 50,000
Finished goods inventory, December 31	150,000

If the cost of goods manufactured during the year amounted to $2,200,000 and annual sales were $2,750,000, the amount of gross profit for the year is
   a. $550,000.
   b. $2,100,000.
   c. $650,000.
   d. $450,000.

Ans: C, LO: 5, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Reporting
Solution: $50,000 + $2,200,000 – $150,000 = $2,100,000 Cost of Goods Sold; $2,750,000 – $2,100,000 = $650,000

117. Haight Company incurred direct materials costs of $2,500,000 during the year. Manufacturing overhead applied was $450,000 and was applied at the rate of 60% of direct labor costs. Haight Company's total manufacturing costs for the year was
   a. $3,700,000.
   b. $3,220,000.
   c. $2,950,000.
   d. $4,720,000.

Ans: A, LO: 4, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Reporting
Solution: $2,500,000 + $450,000 + ($450,000/.60) = $3,700,000

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118. Greer Company developed the following data for the current year:

Beginning Work in Process Inventory	$ 136,000
Direct materials used	208,000
Actual overhead	176,000
Overhead applied	184,000
Cost of goods manufactured	900,000
Total manufacturing costs	856,000

What is Greer Company's direct labor cost for the year?
a. $508,000
b. $600,000
c. $464,000
d. $472,000

Ans: C, LO: 4, Bloom: AN, Difficulty: Hard, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Reporting
Solution: $856,000 – $208,000 – $184,000 = $464,000

119. Greer Company developed the following data for the current year:

Beginning Work in Process Inventory	$ 136,000
Direct materials used	208,000
Actual overhead	176,000
Overhead applied	184,000
Cost of goods manufactured	900,000
Total manufacturing costs	856,000

What the ending balance in Greer Company's Work in Process Inventory?
a. $92,000
b. $484,000
c. $84,000
d. $372,000

Ans: A, LO: 5 Bloom: AN, Difficulty: Hard, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Reporting
Solution: $136,000 + $856,000 – x = $900,000; x = $92,000

120. Chomelar Manufacturing Company developed the following data for the current period:

Beginning Work in Process inventory	$ 120,000
Direct materials used	720,000
Actual overhead	840,000
Overhead applied	810,000
Cost of goods manufactured	1,920,000
Ending Work in Process Inventory	90,000

What are total manufacturing costs for the period?
a. $2,370,000
b. $1,890,000
c. $1,650,000
d. $1,830,000

Ans: B, LO: 5, Bloom: AP, Difficulty: Hard, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Reporting
Solution: $120,000 + x – $90,000 = $1,920,000; x = $1,890,000

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121. Barger Company had the following information at December 31:

Finished goods inventory, January 1	$ 90,000
Finished goods inventory, December 31	126,000

If the cost of goods manufactured during the year totaled $1,895,000 and annual sales were $2,994,000, what was the amount of gross profit for the year?

a. $1,099,000
b. $1,009,000
c. $1,063,000
d. $1,135,000

Ans: D, LO: 5, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Reporting
Solution: $90,000 + $1,895,000 – $126,000 = $1,859,000; $2,994,000 – $1,859,000 = $1,135,000

122. Emley Company incurred direct materials costs of $750,000 during the year. Manufacturing overhead applied was $700,000 and was applied based on direct labor costs. The predetermined overhead rate is 70%. What were Emley Company's total manufacturing costs for the year?

a. $1,940,000
b. $1,750,000
c. $1,450,000
d. $2,450,000

Ans: D, LO: 4, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Reporting
Solution: ($700,000 / .70) + $700,000 + $750,000 = $2,450,000

123. During 2022, Durham Manufacturing estimated Job No. 51 to incur $300,000 of overhead, $500,000 of materials, and $200,000 in labor. Durham applied overhead based on direct labor cost. Actual production incurred overhead of $295,000, $570,000 in materials, and $220,000 in labor. All of the goods were completed. What amount was transferred to Finished Goods Inventory?

a. $1,090,000
b. $1,120,000
c. $1,000,000
d. $1,085,000

Ans: B, LO: 4, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Reporting
Solution: ($300,000 / $200,000) = 1.5 x $220,000 = $330,000; $220,000 + $330,000 + $570,000 = $1,120,000

124. During 2022, Cotte Manufacturing expected Job No. 59 to incur $300,000 of overhead, $500,000 of materials, and $200,000 in labor. Cotte applied overhead based on direct labor cost. Actual production incurred overhead of $295,000, $570,000 in materials, and $220,000 in labor. All of the goods were completed. What is the amount of over- or underapplied overhead for this job?

a. $5,000 underapplied
b. $5,000 overapplied
c. $35,000 underapplied
d. $35,000 overapplied

Ans: D, LO: 5, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: $300,000 / $200,000 = 1.5 x $220,000 = $330,000; $330,000 – $295,000 = $35,000 overapplied

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125. Kimble Company applies overhead on the basis of machine hours. Given the following data, what is the amount of overhead applied and the amount by which it is under- or overapplied for the period?

Estimated annual overhead cost	$1,600,000
Actual annual overhead cost	$1,575,000
Estimated machine hours	400,000
Actual machine hours	390,000

a. $1,560,000 applied and $15,000 overapplied
b. $1,600,000 applied and $15,000 overapplied
c. $1,560,000 applied and $15,000 underapplied
d. $1,575,000 applied and neither under-nor overapplied

Ans: C, LO: 5, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: $1,600,000 / 400,000 = $4; $4 x 390,000 = $1,560,000 applied; $1,575,000 – $1,560,000 = $15,000 underapplied

126. Barnes Company applies overhead on the basis of machine hours. Given the following data, what is the amount of overhead applied and the amount by which it is under- or overapplication for the period?

Estimated annual overhead cost	$3,000,000
Actual annual overhead cost	$2,970,000
Estimated machine hours	300,000
Actual machine hours	295,000

a. $2,950,000 applied and $20,000 overapplied
b. $3,000,000 applied and $20,000 overapplied
c. $2,950,000 applied and $20,000 underapplied
d. $2,970,000 applied and neither under- nor overapplied

Ans: C, LO: 5, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: ($3,000,000 / 300,000) = $10; $10 x 295,000 = $2,950,000 applied; $2,970,000 – $2,950,000 = 20,000 underapplied

127. A company assigned overhead to work in process inventory. At year-end, what does the amount of overapplied overhead mean?
a. The overhead applied to work in process inventory is greater than the estimated overhead costs.
b. The overhead applied to work in process inventory is less than the estimated overhead costs.
c. The overhead applied to work in process inventory is less than the actual overhead incurred.
d. The overhead applied to work in process inventory is greater than the actual overhead incurred.

Ans: D, LO: 5, Bloom: C, Difficulty: Hard, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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128. If the Manufacturing Overhead has a positive balance at the end of a period, it means that
   a. actual overhead costs were less than overhead applied to jobs.
   b. actual overhead costs were greater than overhead applied to jobs.
   c. actual overhead costs were equal to overhead applied to jobs.
   d. no jobs have been completed.

Ans: B, LO: 5, Bloom: C, Difficulty: Hard, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

129. If the manufacturing overhead costs applied to jobs are greater than the actual manufacturing overhead costs incurred during a period, overhead is said to be
   a. underapplied.
   b. overapplied.
   c. in error.
   d. prepaid.

Ans: B, LO: 5, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

130. At the end of the year, any balance in Manufacturing Overhead is generally eliminated by adjusting
   a. Work in Process Inventory.
   b. Finished Goods Inventory.
   c. Cost of Goods Sold.
   d. Raw Materials Inventory.

Ans: C, LO: 5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

131. If Manufacturing Overhead has a negative balance at the end of the period, then
   a. manufacturing overhead has been underapplied.
   b. the manufacturing overhead assigned to Work in Process Inventory is less than the manufacturing overhead incurred.
   c. manufacturing overhead has been overapplied.
   d. management must take corrective action.

Ans: C, LO: 5, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

132. The Manufacturing Overhead shows additions of $30,000, $24,000, and $28,000 and one deduction for $86,000. Based on this information, manufacturing overhead
   a. has been overapplied.
   b. has been underapplied.
   c. has not been applied.
   d. shows a zero balance.

Ans: A, LO: 5, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: ($30,000 + $24,000 + $28,000) – $86,000 = $4,000 overapplied.

133. If Manufacturing Overhead has a positive balance at the end of the period, then
   a. manufacturing overhead has been underapplied.
   b. the manufacturing overhead assigned to Work in Process Inventory is more than the manufacturing overhead incurred.
   c. manufacturing overhead has been overapplied.
   d. management must take corrective action.

Ans: A, LO: 5, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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134. If actual manufacturing overhead is greater than applied manufacturing overhead, then manufacturing overhead is
   a. underapplied.
   b. overapplied.
   c. reported as a loss on the income statement under "Other Expenses and Losses."
   d. considered a miscellaneous expense.

Ans: A, LO: 5, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

135. If actual manufacturing overhead is less than applied manufacturing overhead, then manufacturing overhead is
   a. underapplied.
   b. overapplied.
   c. reported as a loss on the income statement under "Other Expenses and Losses."
   d. considered a miscellaneous expense.

Ans: B, LO: 5, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

136. If manufacturing overhead has been underapplied during the year, the adjustment at the end of the year will generally include a(n)
   a. increase to Manufacturing Overhead.
   b. decrease to Cost of Goods Sold.
   c. increase to Work in Process Inventory.
   d. increase to Cost of Goods Sold.

Ans: D, LO: 5, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

137. If manufacturing overhead has been overapplied during the year, the adjustment at the end of the year will generally include a(n)
   a. increase to Manufacturing Overhead.
   b. decrease to Finished Goods Inventory
   c. increase to Cost of Goods Sold.
   d. decrease to Work in Process Inventory.

Ans: A, LO: 5, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

138. The existence of under- or overapplied manufacturing overhead at the end of the year
   a. typically requires an adjustment to Cost of Goods Sold.
   b. indicates that an error has been made.
   c. requires a retroactive adjustment to the cost of all jobs completed.
   d. is written off as a bad estimate expense.

Ans: A, LO: 5, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

139. Conceptually, any under- or overapplied overhead at the end of the year should be allocated among all of the following accounts **except**
   a. Cost of Goods Sold.
   b. Work in Process Inventory.
   c. Raw Materials Inventory.
   d. Finished Goods Inventory.

Ans: C, LO: 5, Bloom: C, Difficulty: Hard, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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140. If, at the end of the year, manufacturing overhead has been overapplied, it means that
   a. actual overhead costs were greater than the overhead assigned to jobs.
   b. actual overhead costs were less than the overhead assigned to jobs.
   c. overhead has not been applied to jobs still in process.
   d. cost of goods will have to be increased by the amount of the overapplied overhead.

Ans: B, LO: 5, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

141. A process cost system would be used for all of the following **except** the
   a. manufacture of ramen noodles.
   b. refining of petroleum.
   c. printing of wedding invitations.
   d. production of kayaks.

Ans: C, LO: 1, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

142. In a job order cost system, the purchase of raw materials is recorded by increasing
   a. Work in Process Inventory.
   b. Work in Process Inventory and Manufacturing Overhead.
   c. Raw Materials Inventory.
   d. Finished Goods Inventory.

Ans: C, LO: 1, Bloom: K, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

143. In a manufacturing company, the cost of factory labor consists of all of the following **except**
   a. employer payroll taxes.
   b. the cost of employee benefits.
   c. net earnings of factory workers.
   d. gross earnings of factory workers.

Ans: C, LO: 1, Bloom: K, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

144. When direct labor costs are assigned to jobs,
   a. Work in Process and Manufacturing Overhead both increase.
   b. Factory Labor decreases and Work in Process increases.
   c. Manufacturing Overhead increases and Factory Labor decreases.
   d. Work in Process and Factory Labor both increase.

Ans: B, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

145. When the company assigns factory labor costs to jobs, the direct labor cost is added to
   a. Direct Labor.
   b. Factory Labor.
   c. Manufacturing Overhead.
   d. Work in Process Inventory.

Ans: D, LO: 2, Bloom: K, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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146. Jinnah Company applies overhead on the basis of 200% of direct labor cost. Job No. 501 is charged with $240,000 of direct materials costs and $320,000 of manufacturing overhead. The total manufacturing costs for Job No. 501 is
a. $560,000.
b. $880,000.
c. $720,000.
d. $800,000.

Ans: C, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 1, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management
Solution: ($320,000 / 2.0) + $320,000 + $240,000 = $720,000

147. Companies apply manufacturing overhead to work in process on an estimated basis through the use of a(n)
a. actual overhead rate.
b. estimated overhead rate.
c. assigned overhead rate.
d. predetermined overhead rate.

Ans: D, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

148. Overapplied manufacturing overhead exists when manufacturing overhead assigned to Work in Process Inventory is
a. more than overhead incurred and there is a positive balance in Manufacturing Overhead at the end of a period.
b. less than overhead incurred and there is a positive balance in Manufacturing Overhead at the end of a period.
c. more than overhead incurred and there is a negative balance in Manufacturing Overhead at the end of a period.
d. less than overhead incurred and there is a negative balance in Manufacturing Overhead at the end of a period.

Ans: C, LO: 5, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

149. Usually, under- or overapplied manufacturing overhead is eliminated with an adjustment to
a. Work in Process Inventory.
b. Finished Goods Inventory.
c. Finished Goods Inventory and Cost of Goods Sold.
d. Cost of Goods Sold.

Ans: D, LO: 5, Bloom: K, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

150. Which of the following statements about under- or overapplied manufacturing overhead is correct?
a. After the adjustment to transfer over- or underapplied overhead to Cost of Goods Sold, Manufacturing Overhead will have a zero balance.
b. When Manufacturing Overhead has a negative balance, overhead is said to be under-applied.
c. At the end of the year, under- or overapplied overhead is **not** eliminated by adjustment.
d. When annual financial statements are prepared, overapplied overhead is reported in current liabilities.

Ans: A, LO: 5, Bloom: K, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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Answers to Multiple Choice Questions

Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.	Item	Ans.
36.	a	53.	a	70.	C	87.	b	104.	c	121.	d	138.	a
37.	d	54.	c	71.	c	88.	a	105.	c	122.	d	139.	c
38.	b	55.	d	72.	c	89.	a	106.	d	123.	b	140.	b
39.	c	56.	a	73.	c	90.	b	107.	d	124.	d	141.	c
40.	d	57.	c	74.	a	91.	b	108.	a	125.	c	142.	c
41.	a	58.	d	75.	a	92.	c	109.	c	126.	c	143.	c
42.	c	59.	d	76.	c	93.	c	110.	c	127.	d	144.	b
43.	b	60.	d	77.	c	94.	c	111.	b	128.	b	145.	d
44.	b	61.	a	78.	b	95.	b	112.	a	129.	b	146.	c
45.	a	62.	c	79.	d	96.	d	113.	b	130.	c	147.	d
46.	b	63.	d	80.	c	97.	c	114.	a	131.	c	148.	c
47.	d	64.	d	81.	c	98.	c	115.	c	132.	a	149.	d
48.	c	65.	b	82.	b	99.	a	116.	c	133.	a	150.	a
49.	b	66.	d	83.	b	100.	b	117.	a	134.	a		
50.	d	67.	d	84.	c	101.	a	118.	c	135.	b		
51.	b	68.	a	85.	b	102.	d	119.	a	136.	d		
52.	d	69.	b	86.	d	103.	b	120.	b	137.	a		

BRIEF EXERCISES

BE 151

During the first year of operations, Shapiro Tool accumulated the following manufacturing costs:

Raw materials purchased	$12,000
Factory labor incurred	6,000
Manufacturing overhead incurred	4,000

Instructions

Using the grid below, record the above costs. Use (+) to show increases and (–) to show decreases to the accounts.

	Manufacturing Costs			
	Raw Materials Inventory	Factory Labor	Manufacturing Overhead	Work in Process Inventory

Ans: N/A, LO: 1, Bloom: AP, Difficulty: Moderate, Min: 4, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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Solution 151 (4 min.)

	Manufacturing Costs			Work in Process Inventory
	Raw Materials Inventory	Factory Labor	Manufacturing Overhead	
Raw materials purchased	+$12,000			
Factory labor incurred		+$6,000		
Manufacturing overhead incurred			+$4,000	

BE 152

In January, Harlan, Inc. production supervisor requisitioned raw materials for production as follows: Job 1 $700, Job 2 $900, Job 3 $400, and general factory use, $520.

Instructions
Using the grid below, record the usage of materials. Use (+) to show increases and (–) to show decreases to the accounts.

	Manufacturing Costs			Work in Process Inventory
	Raw Materials Inventory	Factory Labor	Manufacturing Overhead	

Ans: N/A, LO: 1, Bloom: AP, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

Solution 152 (2 min.)

	Manufacturing Costs			Work in Process Inventory
	Raw Materials Inventory	Factory Labor	Manufacturing Overhead	
Direct materials	–$2,000			+$2,000
Indirect materials	–$520		+$520	

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BE 153

Lando Company reported the following amounts for 2022:

Raw materials purchased	$83,000	Ending Work in Process Inventory	$ 6,300
Beginning raw materials inventory	5,200	Manufacturing overhead costs applied	36,000
Ending raw materials inventory	4,500	Beginning Work in Process Inventory	6,100

Instructions
Calculate the cost of materials used in production

Ans: N/A, LO: 2, Bloom: AP, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

Solution 153 (2 min.)

$5,200 + $83,000 – $4,500 = $83,700

BE 154

Builder Bug Company allocates manufacturing overhead at $9 per direct labor hour. Job A45 required 4 boxes of direct materials at a cost of $30 per box and took employees 20 hours to complete. Employees earn $15 per hour.

Instructions
Compute the total cost of Job A45.

Ans: N/A, LO: 2, Bloom: AP, Difficulty: Moderate, Min: 4, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

Solution 154 (4 min.)

Direct materials (4 × $30)	$120
Direct labor (20 hours × $15)	300
Overhead (20 hours × $9)	180
Total Job A45	$600

BE 155

At the beginning of the current period, Colby Company estimated that annual manufacturing overhead costs would be $600,000. Estimated annual operating activity bases are: direct labor cost $460,000, direct labor hours 40,000 and machine hours 80,000. The actual manufacturing overhead cost for the year was $601,000 and the actual direct labor cost for the year was $456,000. Actual direct labor hours totaled 39,800 and machine hours totaled 79,000. Colby applies manufacturing overhead based on direct labor hours.

Instructions
Compute the predetermined overhead rate and determine the amount of manufacturing overhead applied. Determine if overhead is over- or underapplied and the amount.

Ans: N/A, LO: 3, 5, Bloom: AP, Difficulty: Moderate, Min: 5, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

Solution 155 (5 min.)

Predetermined overhead rate = $600,000 ÷ 40,000 = $15 per direct labor hour
Manufacturing overhead applied = $15 × 39,800 = $597,000
Underapplied overhead = $597,000 – $601,000 = $4,000

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BE 156

Martin Company applies manufacturing overhead based on direct labor hours. Information concerning manufacturing overhead and labor for the year follows:

Actual manufacturing overhead	$150,000
Estimated manufacturing overhead	$145,000
Direct labor hours incurred	4,800
Direct labor hours estimated	5,000

Instructions
Compute the predetermined overhead rate.

Ans: N/A, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

Solution 156 (2 min.)

$145,000 ÷ 5,000 = $29 per direct labor hour

BE 157

The manufacturing operations of Bryant, Inc. had the following balances at the beginning and end of January:

Inventories	January 1	January 31
Raw materials	$12,000	$13,000
Work in process	21,000	23,000
Finished goods	14,000	16,000

Bryant transferred $290,000 of completed goods out of Work in Process Inventory during January.

Instructions
Compute the cost of goods sold for the month.

Ans: N/A, LO: 4, Bloom: AP, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

Solution 157 (2 min.)

$14,000 + $290,000 – $16,000 = $288,000

BE 158

The following amounts were reported by Burke Company before adjusting its overapplied manufacturing overhead of $8,000.

Raw Materials Inventory	$ 40,000
Finished Goods Inventory	60,000
Work in Process Inventory	100,000
Cost of Goods Sold	730,000

Instructions
Compute what amount Burke will report as Cost of Goods Sold after it adjusts for its overapplied overhead.

Ans: N/A, LO: 5, Bloom: AP, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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Solution 158 (2 min.)

$730,000 – $8,000 = $722,000

BE 159

During the first two months of 2022, Arb Company incurred the following direct labor costs: January $20,000 and February $30,000. Arb uses a predetermined overhead rate of 120% of direct labor cost. Estimated overhead for the 2 months, respectively, totaled $19,500 and $35,700. Actual overhead for the 2 months, respectively, totaled $25,000 and $33,500.

Instructions
Determine if manufacturing overhead is over- or underapplied for each of the two months and the respective amounts.

Ans: N/A, LO: 5, Bloom: AP, Difficulty: Moderate, Min: 4, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

Solution 159 (4 min.)

Overhead applied:
January: 120% × $20,000 = $24,000
February: 120% × $30,000 = $36,000

Over- or underapplied:
January: $24,000 – $25,000 = $1,000 underapplied
February: $36,000 – $33,500 = $2,500 overapplied

BE 160

At December 31, Ding Company reported the following unadjusted balances:

Cost of Goods Sold	$210,000
Finished Goods Inventory	30,000

The company's unadjusted balance in its Manufacturing Overhead account at the same date was a positive $2,800.

Instructions
Using the grid below, enter the unadjusted balances, record the appropriate adjustment for over- or underapplied overhead at December 31, and show the resulting adjusted balances. Use (+) to indicate increases and (–) to indicate decreases.

	Manufacturing Costs					
	Raw Materials Inventory	Factory Labor	Manufacturing Overhead	Work in Process Inventory	Finished Goods Inventory	Cost of Goods Sold

Ans: N/A, LO: 5, Bloom: AP, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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Solution 160 (2 min.)

	Manufacturing Costs					
	Raw Materials Inventory	Factory Labor	Manufacturing Overhead	Work in Process Inventory	Finished Goods Inventory	Cost of Goods Sold
Unadjusted balances			$2,800		$30,000	$210,000
Adjustment			–2,800			+2,800
Adjusted balances			$0		$30,000	$212,800

EXERCISES

Ex. 161

The manufacturing operations of Beatly, Inc. had the following balances at the beginning and end of January:

	January 1	January 31
Raw Materials Inventory	$12,000	$13,000
Work in Process Inventory	21,000	23,000
Finished Goods Inventory	14,000	12,000

Beatly transferred $270,000 of completed goods out of Work in Process Inventory during January.

Instructions
Compute the cost of goods sold for January.

Ans: N/A, LO: 1, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

Solution 161 (3 min.)

$14,000 + $270,000 – $12,000 = $272,000

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Ex. 162

A selected list of accounts used by Cline Manufacturing Company follows:

Code		Code	
A	Raw Materials Inventory	D	Factory Labor
B	Work in Process Inventory	E	Manufacturing Overhead
C	Finished Goods Inventory	F	Cost of Goods Sold

Cline Manufacturing Company uses a job order system.

Instructions

Place the appropriate code letter in the columns indicating the appropriate account(s) to be increased and decreased for the transactions listed below.

Transactions	Account(s) Increased	Account(s) Decreased
1. Raw materials were purchased.		
2. Issued a check to Dixon Machine Shop for repair work on factory equipment.		
3. Direct materials were requisitioned for Job 280.		
4. Factory labor was incurred.		
5. Assigned direct labor and indirect labor used.		
6. The production department requisitioned indirect materials for use in the factory.		
7. Overhead was applied to production based on a predetermined overhead rate of $8 per labor hour.		
8. Goods that were completed were transferred to finished goods.		
9. Goods costing $80,000 were sold.		
10. Recorded factory depreciation.		

Ans: N/A, LO: 1, 2, 3, Bloom: C, Difficulty: Moderate, Min: 10, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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Solution 162 (10–15 min.)

Transactions	Account(s) Increased	Account(s) Decreased
1. Raw materials were purchased.	A	
2. Issued a check to Dixon Machine Shop for repair work on factory equipment.	E	
3. Direct materials were requisitioned for Job 280.	B	A
4. Factory labor was incurred.	D	
5. Assigned direct labor and indirect labor used	B, E	D
6. The production department requisitioned indirect material for use in the factory.	E	A
7. Overhead was applied to production based on a predetermined overhead rate of $8 per labor hour	B	E
8. Goods that were completed were transferred to finished goods.	C	B
9. Goods costing $80,000 were sold.	F	C
10. Recorded factory depreciation.	E	

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Ex. 163

Finn Manufacturing Company uses a job order cost accounting system and keeps perpetual inventory records. Using the grid below, record the following transactions during the month of June. Use (+) to indicate increases and (–) to indicate decreases.

June 1 Purchased raw materials for $20,000.

8 Raw materials requisitioned by production:

Direct materials	$8,000
Indirect materials	1,000

15 Incurred factory utilities, $2,100 and repairs for factory equipment, $8,000.

25 Incurred $108,000 of factory labor.

25 Time tickets indicated the following:

Direct Labor	(7,000 hrs × $12 per hr)	=	$84,000
Indirect Labor	(3,000 hrs × $8 per hr)	=	24,000
			$108,000

25 Applied manufacturing overhead to production based on a predetermined overhead rate of $7 per direct labor hour worked.

28 Goods costing $18,000 were completed in the factory and were transferred to finished goods.

30 Goods costing $15,000 were sold.

Date	Manufacturing Costs			Work in Process Inventory	Finished Goods Inventory	Cost of Goods Sold
	Raw Materials Inventory	Factory Labor	Manufacturing Overhead			

Ans: N/A, LO: 1, 2, 3, Bloom: AP, Difficulty: Moderate, Min: 16, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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Solution 163 (16–23 min.)

Date	Manufacturing Costs			Work in Process Inventory	Finished Goods Inventory	Cost of Goods Sold
	Raw Materials Inventory	Factory Labor	Manufacturing Overhead			
June 1	+$20,000					
8	–8,000			+$8,000		
8	–1,000		+$1,000			
15			+10,100			
25		+$108,000				
25		–84,000		+84,000		
25		–24,000	+24,000			
25			–49,000	+49,000		
28				–18,000	+$18,000	
30					–15,000	+$15,000

Ex. 164

Selected accounts of Kosar Manufacturing Company at year end appear in the grid below:

	Manufacturing Costs			Work in Process Inventory	Finished Goods Inventory	Cost of Goods Sold
	Raw Materials Inventory	Factory Labor	Manufacturing Overhead			
(a)	+$40,000					
(b)		+$110,000				
(c)			+$75,000			
(d)	–25,000			+$25,000		
(e)		–80,000		+80,000		
(e)		–30,000	+30,000			
(f)			–100,000	+100,000		
(g)				–140,000	+$140,000	
(h)					–120,000	+$120,000

Instructions

Explain the probable transaction that took place for each of the items identified by letters in the accounts. For example:

(a) Raw materials costing $40,000 were purchased.

Ans: N/A, LO: 1, 2, 3, Bloom: C, Difficulty: Hard, Min: 9, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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Solution 164 (9–14 min.)

(a) Raw materials costing $40,000 were purchased.
(b) Factory labor costs incurred amounted to $110,000.
(c) Actual manufacturing overhead costs incurred were $75,000.
(d) Direct materials requisitioned for production amounted to $25,000.
(e) Factory labor used consisted of:

Direct labor	$80,000
Indirect labor	30,000

(f) Manufacturing overhead applied to production was $100,000.
(g) Completed goods costing $140,000 were transferred to Finished Goods Inventory.
(h) Finished goods costing $120,000 were sold.

Ex. 165

Sardin Company began March with a $17,000 balance in Work in Process Inventory from Job 324. Information from job cost sheets shows the following additional costs assigned during March, April, and May of 2022:

	Manufacturing Costs Assigned		
Job No.	March	April	May
324	$26,000		
325	20,000	$28,000	$15,000
326	41,000	11,000	
327		16,000	39,000
328		34,000	51,000

Job 324 was completed in March. Jobs 325 and 327 were completed in May, and Job 326 was completed in April. All of the jobs were sold during the month after completion.

Instructions
Calculate the balances of the Work in Process Inventory and Finished Goods Inventory at the end of May.

Ans: N/A, LO: 1, 2, Bloom: AP, Difficulty: Moderate, Min: 5, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

Solution 165 (5–6 min.)

Work in Process Inventory		
Job 328	$34,000 + $51,000	$85,000
Finished Goods Inventory		
Job 325	$20,000 + $28,000 + $15,000	$ 63,000
Job 327	$16,000 + $39,000	55,000
		$118,000

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Ex. 166

The gross earnings of factory workers for Dinkel Company during the month of January are $480,000. Of the total factory labor cost, 75% is attributable to direct labor and 25% is attributable to indirect labor.

Instructions

Using the grid below:

(a) Record the factory labor costs for the month of January.
(b) Record the assignment of factory labor to production.
(c) Record the application of manufacturing overhead to production, assuming the predetermined overhead rate is 125% of direct labor cost.

Use (+) to indicate increases and (–) to indicate decreases.

	Manufacturing Costs			
	Raw Materials Inventory	Factory Labor	Manufacturing Overhead	Work in Process Inventory

Ans: N/A, LO: 1, 2, 3, 4, Bloom: AP, Difficulty: Moderate, Min: 8, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

Solution 166 (8–12 min.)

	Manufacturing Costs			
	Raw Materials Inventory	Factory Labor	Manufacturing Overhead	Work in Process Inventory
(a)		+$480,000		
(b)		–360,000		+$360,000
(b)		–120,000	+$120,000	
(c)			–450,000	+450,000

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Ex. 167

Foster Manufacturing uses a job order cost accounting system. On April 1, the company has Work in Process Inventory of $7,600 and two jobs in process: Job No. 221, $3,600, and Job No. 222, $4,000. During April, a summary of source documents reports the following:

For	Materials Requisition Slips	Labor Time Tickets
Job No. 221	$1,200	$ 2,100
222	1,700	2,200
223	2,400	2,900
224	2,600	2,800
General use	600	400
Totals	$8,500	$10,400

Foster applies manufacturing overhead to jobs at an overhead rate of 70% of direct labor cost. Job No. 221 is completed during the month.

Instructions

(a) Using the grid below:

(1) Enter the beginning Work in Process Inventory balance, prepare summary entries to record the raw materials requisitioned, factory labor used, the assignment of manufacturing overhead to jobs, and the completion of Job No. 221. Use (+) to indicate increases and (–) to indicate decreases.

(2) Calculate the balance of the Work in Process Inventory account at April 30.

(b) Prove the agreement of the Work in Process Inventory account with the job cost sheets.

	Manufacturing Costs				
	Raw Materials Inventory	Factory Labor	Manufacturing Overhead	Work in Process Inventory	Finished Goods Inventory

Ans: N/A, LO: 1, 2, 3, 4, Bloom: AP, Difficulty: Moderate, Min: 10, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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Solution 167 (10–15 min.)

(a)

	Manufacturing Costs			Work in Process Inventory	Finished Goods Inventory
	Raw Materials Inventory	Factory Labor	Manufacturing Overhead		
(1) Beginning balance				$7,600	
(1) Direct materials	–$7,900			+7,900	
(1) Indirect materials	–600		+$600		
(1) Direct labor		–$10,000		+10,000	
(1) Indirect labor		–400	+400		
(1) Assigned overhead*			–7,000	+7,000	
(1) Job. No. 221 completion**				–8,370	+$8,370
(2) Ending balance				$24,130	

* ($10,000 x 70% = $7,000)
** ($3,600 + $1,200 + $2,100 + ($2,100 x 70%) = $8,370)

(b) Work in Process Inventory, April 30: $24,130

Job No. 222	$9,440	($4,000 + $1,700 + $2,200 + $1,540)
Job No. 223	7,330	($2,400 + $2,900 + $2,030)
Job No. 224	7,360	($2,600 + $2,800 + $1,960)
	$24,130	

Ex. 168

Manufacturing cost data for Dolan Company, which uses a job order cost system, are presented below:

	Case A	Case B
Direct materials used	(a)	$103,000
Direct labor	$ 70,000	150,000
Manufacturing overhead applied	63,000	(d)
Total manufacturing costs	240,000	(e)
Work in Process Inventory, 1/1/22	(b)	45,000
Total cost of work in process	300,000	(f)
Work in Process Inventory, 12/31/22	(c)	40,000
Cost of goods manufactured	205,000	(g)

Instructions

Indicate the missing amount for each letter. Assume that overhead is applied on the basis of direct labor cost and that the rate is the same for both cases.

Ans: N/A, LO: 1, 2, 3, 4, Bloom: AN, Difficulty: Hard, Min: 9, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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Solution 168 (9–12 min.)

Case A

(a) + $70,000 + $63,000 = $240,000
(a) = $107,000

$240,000 + (b) = $300,000
(b) = $60,000

$300,000 – (c) = $205,000
(c) = $95,000

Case B [Note that the overhead rate from Case A is 90% ($63,000 ÷ $70,000)]

$150,000 × 90% = (d)
(d) = $135,000

$103,000 + $150,000 + $135,000 = (e)
(e) = $388,000

$388,000 + $45,000 = (f)
(f) = $433,000

$433,000 – $40,000 = (g)
(g) = $393,000

Ex. 169

Fort Corporation had the following transactions during its first month of operations:

1. Raw materials were purchased for $85,000.
2. Raw Materials of $30,000 were requisitioned to the factory. An analysis of the materials requisition slips indicated that $6,000 was classified as indirect materials.
3. Factory labor costs incurred were $175,000.
4. Time tickets indicated that $145,000 was direct labor and $30,000 was indirect labor.
5. Manufacturing overhead costs incurred were $198,000.
6. Manufacturing overhead was applied at the rate of 150% of direct labor cost.
7. Goods costing $115,000 were still incomplete at the end of the month; the other goods were completed and transferred to finished goods.
8. Finished goods costing $100,000 to manufacture were sold.

Instructions

Using the grid below, record the above transactions for Fort Corporation. Use (+) to indicate increases and (–) to indicate decreases.

	Manufacturing Costs					
	Raw Materials Inventory	Factory Labor	Manufacturing Overhead	Work in Process Inventory	Finished Goods Inventory	Cost of Goods Sold

Ans: N/A, LO: 1, 2, 3, 4, Bloom: AP, Difficulty: Moderate, Min: 12, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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Solution 169 (12–17 min.)

	Manufacturing Costs					
	Raw Materials Inventory	Factory Labor	Manufacturing Overhead	Work in Process Inventory	Finished Goods Inventory	Cost of Goods Sold
1.	+$85,000					
2.	–24,000			+$24,000		
2.	–6,000		+$6,000			
3.		+$175,000				
4.		–145,000		+145,000		
4.		–30,000	+30,000			
5.			+198,000			
*6.			–217,500	+217,500		
**7.				–271,500	+$271,500	
8.					–100,000	+$100,000

*($145,000 x 150% = $217,500)
**[($24,000 + $145,000 + $217,500) – $115,000 = $271,500]

Ex. 170

Lando Company reported the following amounts for 2022:

Raw materials purchased	$85,000
Beginning raw materials inventory	5,200
Ending raw materials inventory	4,500
Beginning finished goods inventory	7,600
Ending finished goods inventory	8,000
Direct labor used	20,000
Manufacturing overhead costs applied	30,000
Beginning work in process inventory	6,100
Ending work in process inventory	6,300

Instructions
Calculate (a) the cost of materials used in production and (b) total manufacturing costs.

Ans: N/A, LO: 1, 2, Bloom: AP, Difficulty: Moderate, Min: 4, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

Solution 170 (4 min.)

(a) Cost of materials used in production: $5,200 + $85,000 – $4,500 = $85,700

(b) Total manufacturing costs: $85,700 + $20,000 + $30,000 = $135,700

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Ex. 171

A job cost sheet of Fugate Company is given below.

Job Cost Sheet			
JOB NO. 172			Quantity 1,500
FOR James Company			Date Completed 5/31
Date	Direct Materials	Direct Labor	Manufacturing Overhead
5/10	1,330		
12	1,120		
15		550	825
22		480	720
24	1,000		
27	1,870		
31		670	1,005
Cost of completed job:			
Direct materials			_____
Direct labor			_____
Manufacturing Overhead			_____
Total cost			_____
Unit cost			_____

Instructions

(a) Answer the following questions.

(1) What is the predetermined manufacturing overhead rate?

(2) What is the total cost and the unit cost of the completed job?

(b) Using the grid below, prepare the entry to record the completion of the job. Use (+) to indicate increases and (–) to indicate decreases.

Date	Manufacturing Costs			Work in Process Inventory	Finished Goods Inventory
	Raw Materials Inventory	Factory Labor	Manufacturing Overhead		

Ans: N/A, LO: 1, 2, 3, 4, Bloom: AP, Difficulty: Moderate, Min: 8, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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Solution 171 (8 min.)

(a) (1) The predetermined overhead rate is 150% of direct labor cost. For example, on May 15, the computation is $825 ÷ $550 = 150%. The same result is obtained on May 22 and 31.

(2) The total cost is:

Direct materials	$5,320
Direct labor	1,700
Manufacturing overhead	2,550
	$9,570

The unit cost is $6.38 ($9,570 ÷ 1,500)

(b)

Date	Manufacturing Costs			Work in Process Inventory	Finished Goods Inventory
	Raw Materials Inventory	Factory Labor	Manufacturing Overhead		
May 31				–$9,570	+$9,570

Ex. 172

At May 31, 2022, the accounts of Kuhlmann Manufacturing Company show the following.

1. May 1 inventories—finished goods $12,600, work in process $14,700, and raw materials $8,200.
2. May 31 inventories—finished goods $8,500, work in process $22,900, and raw materials $7,100.
3. Additions to work in process inventory were: direct materials $77,400, direct labor $50,000, and manufacturing overhead applied $45,000.
4. Sales totaled $225,000.

Instructions

(a) Prepare a condensed cost of goods manufactured schedule.
(b) Prepare an income statement for May through gross profit.

Ans: N/A, LO: 1, 4, 5, Bloom: AP, Difficulty: Moderate, Min: 10, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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Solution 172 (10 min.)

(a)

KUHLMANN MANUFACTURING COMPANY
Cost of Goods Manufactured Schedule
For the Month Ended May 31, 2022

Work in process inventory, May 1		$ 14,700
Direct materials used	$77,400	
Direct labor	50,000	
Manufacturing overhead applied	45,000	
Total manufacturing costs		172,400
Total cost of work in process		187,100
Less: Work in process inventory, May 31		22,900
Cost of goods manufactured		$164,200

(b)

KUHLMANN MANUFACTURING COMPANY
Income Statement (Partial)
For the Month Ended May 31, 2022

Sales		$225,000
Cost of goods sold		
Finished goods, May 1	$ 12,600	
Cost of Goods manufactured	164,200	
Cost of goods available for sale	176,800	
Finished goods, May 31	8,500	
Cost of goods sold		168,300
Gross profit		$ 56,700

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Ex. 173

Watson Manufacturing Company employs a job order cost system and keeps perpetual inventory records. The following transactions occurred in the first month of operations:

1. Direct materials requisitioned during the month:

Job 101	$20,000
Job 102	16,000
Job 103	24,000
	$60,000

2. Direct labor incurred and charged to jobs during the month was:

Job 101	$32,000
Job 102	28,000
Job 103	20,000
	$80,000

3. Manufacturing overhead was applied to jobs worked on using a predetermined overhead rate based on 75% of direct labor costs.

4. Actual manufacturing overhead costs incurred during the month totaled $66,000.

5. Job 101 consisting of 1,000 units and Job 103 consisting of 200 units were completed during the month.

Instructions

(a) Using the grid below, record the above transactions and determine the ending balance for Work in Process Inventory. Use (+) to indicate increases and (–) to indicate decreases.

(b) Address the following:
   1. How much manufacturing overhead was applied to Job 103 during the month?
   2. Compute the unit cost of Jobs 101 and 103.
   3. Prove the balance in Work in Process Inventory at the end of the month.
   4. Determine if manufacturing overhead was under- or overapplied during the month. How much?

	Manufacturing Costs					
	Raw Materials Inventory	Factory Labor	Manufacturing Overhead	Work in Process Inventory	Finished Goods Inventory	Cost of Goods Sold

Ans: N/A, LO: 1, 2, 3, 4, 5, Bloom: AP, Difficulty: Moderate, Min: 15, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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Solution 173 (15–20 min.)
(a)

	Manufacturing Costs			Work in Process Inventory	Finished Goods Inventory	Cost of Goods Sold
	Raw Materials Inventory	Factory Labor	Manufacturing Overhead			
1.	–$60,000			+$60,000		
2.		–$80,000		+80,000		
3.			–$60,000	+60,000		
4.			+66,000			
*5.				–135,000	+$135,000	
Ending balance				$65,000		

*[($20,000 + $32,000 + ($32,000 x 75%)) + ($24,000 + $20,000 + ($20,000 x 75%)) = $135,000]

(b) 1. $15,000 ($20,000 × 75%).

2. Unit cost: Job 101, $76; Job 103, $295.

	Job 101	Job 103
Direct materials	$20,000	$24,000
Direct labor	32,000	20,000
Overhead applied	24,000	15,000
Total cost	$76,000	$59,000
Units	÷ 1,000	÷ 200
Unit cost	$76	$295

3. Work in Process Inventory is $65,000 and consists of work performed on Job 102.

	Job 102
Direct materials	$16,000
Direct labor	28,000
Overhead applied	21,000
Total cost	$65,000

4. Manufacturing overhead costs were underapplied by $6,000 during the month.

Actual manufacturing overhead	$66,000
Manufacturing overhead applied	60,000
Underapplied overhead	$ 6,000

Ex. 174

Graham Manufacturing is a small manufacturer that uses machine hours as its activity base for assigned overhead costs to jobs. The company estimated the following amounts for 2022 for the company and had actual results for Job 62:

	Company	Job 62
Direct materials	$60,000	$4,500
Direct labor	$25,000	$2,500
Manufacturing overhead costs	$72,000	
Machine hours	90,000	1,350

During 2022, the actual machine hours totaled 95,000, and actual overhead costs were $71,000.

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Ex. 174 (Cont.)

Instructions

(a) Compute the predetermined overhead rate.
(b) Compute the total manufacturing costs for Job 62.
(c) How much overhead is over or underapplied for the year for the company? Compute the amount and specify whether it is over- or underapplied.
(d) Compute the gross profit If Graham Manufacturing sells Job 62 for $14,000.

Ans: N/A, LO: 1,2,5, Bloom: AP, Difficulty: Moderate, Min: 7, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

Solution 174 (7–9 min.)

(a) $72,000 ÷ 90,000 = $0.80 per machine hour
(b) $4,500 + $2,500 + ($0.80 × 1,350) = $8,080
(c) Actual – Applied = Over/Underapplied
$71,000 – ($0.80 × 95,000) = $5,000 overapplied
(d) $14,000 – $8,080 (from (b) above) = $5,920

Ex. 175

The following inventory information is available for Ricci Manufacturing Corporation for the year ended December 31, 2022:

	Beginning	Ending
Inventories:		
Raw materials	$17,000	$19,000
Work in process	9,000	14,000
Finished goods	11,000	8,000
Total	$37,000	$41,000

The following transactions occurred during 2022:

1. Purchased raw materials, $75,000.
2. Incurred factory labor, $80,000 (all direct labor).
3. Incurred the following overhead costs during the year: utilities $6,800, depreciation on manufacturing machinery $8,000, Manufacturing machinery repairs $9,200, factory insurance $9,000.
4. Assigned $80,000 of factory labor to jobs.
5. Applied $36,000 of manufacturing overhead to jobs.

Instructions

(a) Using the grid below, enter the beginning balances, record the above transactions, and then enter the ending balances. Use (+) to indicate increases and (–) to indicate decreases.
(b) From an analysis of the accounts, compute the following:
    1. Raw materials used.
    2. Completed jobs transferred to finished goods.
    3. Cost of goods sold.
    4. Under- or overapplied overhead.

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Ex. 175 (Continued)

	Manufacturing Costs			Work in Process Inventory	Finished Goods Inventory	Cost of Goods Sold
	Raw Materials Inventory	Factory Labor	Manufacturing Overhead			

Ans: N/A, LO: 1, 2, 3, 4, 5, Bloom: AP, Difficulty: Moderate, Min: 16, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

Solution 175 (16–22 min.)

(a)

	Manufacturing Costs			Work in Process Inventory	Finished Goods Inventory	Cost of Goods Sold
	Raw Materials Inventory	Factory Labor	Manufacturing Overhead			
Beginning balances	$17,000			$9,000	$11,000	
1.	+75,000					
2.		+$80,000				
*3.			+$33,000			
4.		-80,000		+80,000		
5.			-36,000	+36,000		

(b) 1. Raw materials used = $17,000 + $75,000 – $19,000 = $73,000.

2. Completed jobs transferred to finished goods = $9,000 + $73,000 + ($80,000 + $36,000) – $14,000 = $184,000.

3. Cost of goods sold = $11,000 + $184,000 – $8,000 = $187,000.

4. Overhead overapplied = $3,000 (negative balance in Manufacturing Overhead).

Ex. 176

Bergman Company allocates manufacturing overhead at $10 per direct labor hour. Job A890 required 3 pounds of direct materials at a cost of $25 per pound. Employees worked 15 hours to complete the job. Employees earn $20 per hour.

Instructions

Compute the total cost of Job 890.

Ans: N/A, LO: 2, Bloom: AP, Difficulty: Moderate, Min: 5, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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Solution 176 (5 min.)

Direct materials (3 pounds × $25)	$ 75
Direct labor (15 hours × $20)	300
Manufacturing overhead (15 hours × $10)	150
Total job cost of Job A890	$525

Ex. 177

Job cost sheets for Howard Manufacturing are as follows:

Job No 210 Quantity 1,500

Date	Direct Materials	Direct Labor	Manufacturing Overhead
July 1	9,000	8,000	12,000
8	8,500		
10		10,000	
15	5,500		
25		20,000	

Job No 211 Quantity 1,200

Date	Direct Materials	Direct Labor	Manufacturing Overhead
July 1	5,000	6,000	9,000
10	9,000		
15		8,000	
20	7,000		
27		12,000	

Instructions

(a) Answer the following questions.

1. What was the balance in Work in Process Inventory on July 1 if these were the only unfinished jobs?
2. What was the predetermined overhead rate in June if overhead was applied on the basis of direct labor cost?
3. If July is the start of a new fiscal year and the overhead rate is 30% higher than in the preceding year, how much overhead should be applied to Job 210 in July?
4. Assuming Job 210 is complete, what is the total and unit cost of the job?
5. Assuming Job 211 is the only unfinished job at July 31, what is the balance in Work in Process Inventory on this date?

(b) Using the grid below, record the summary transactions for the assignment of costs to the jobs in July. Use (+) to indicate increases and (–) to indicate decreases. (*Note:* Make one entry in total for each manufacturing cost element.)

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Ex. 177 (Continued)

	Manufacturing Costs			
	Raw Materials Inventory	Factory Labor	Manufacturing Overhead	Work in Process Inventory

Ans: N/A, LO: 2, 3, 4, Bloom: AN, Difficulty: Moderate, Min: 15, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

Solution 177 (15–20 min.)

(a) 1.

Job 210	$9,000 + $8,000 + $12,000	$29,000
Job 211	$5,000 + $6,000 + $9,000	20,000
		$49,000

2. Manufacturing overhead rate = 150% of direct labor cost ($12,000 ÷ $8,000 or $9,000 ÷ $6,000)

3. July overhead rate = 150% × 120% = 180%
Overhead applied in July = $30,000 × 180% = $54,000

4.

Direct materials	$ 23,000
Direct labor	38,000
Manufacturing overhead ($12,000 + $54,000)	66,000
Total cost	$127,000
Unit cost ($127,000 ÷ 1,500)	$ 84.67

5.

Direct materials	$21,000
Direct labor	26,000
Manufacturing overhead ($9,000 + $36,000)	45,000
Total cost of work in process	$92,000

(b)

	Manufacturing Costs			
	Raw Materials Inventory	Factory Labor	Manufacturing Overhead	Work in Process Inventory
*Direct materials	–$30,000			+$30,000
**Direct labor		–$50,000		+50,000
***Applied overhead			–$90,000	+90,000

*[($8,500 + $5,500) + ($9,000 + $7,000) = $30,000]
**[($10,000 + $20,000) + ($8,000 + $12,000) = $50,000]
***($50,000 x 180% = $90,000)

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Ex. 178

Garner Company begins operations on July 1, 2022. Information from job cost sheets shows the following:

	Manufacturing Costs Assigned		
Job No.	July	August	September
100	$12,000	$8,800	
101	10,800	9,700	$12,000
102	5,000		
103		11,800	6,000
104		5,800	7,000

Job 102 was completed in July. Job 100 was completed in August, and Jobs 101 and 103 were completed in September. Each job was sold for 60% above its cost in the month following completion.

Instructions

(a) Compute the balance in Work in Process Inventory at the end of July.
(b) Compute the balance in Finished Goods Inventory at the end of September.
(c) Compute the gross profit for August.

Ans: N/A, LO: 2, 4, Bloom: AP, Difficulty: Moderate, Min: 10, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

Solution 178 (10–13 min.)

(a) Work in Process Inventory

July	Job 100	$12,000
	Job 101	10,800
Balance, July 31		$22,800

(b) Finished Goods Inventory

	Job 101	$32,500
	Job 103	17,800
Balance, Sept. 30		$50,300

(c) Gross Profit

Month	Job Number	Sales	COGS	Gross Profit
August	102	$8,000	$5,000	$3,000

Ex. 179

The accounting records of Roland Manufacturing Company include the following information:

	Dec. 31	Jan. 1
Work in process inventory	$ 20,000	$ 50,000
Finished goods inventory	120,000	150,000
Direct materials used	350,000	
Direct labor	160,000	

Manufacturing overhead is applied at a rate of 150% of direct labor cost.

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Ex. 179 (Cont.)

Instructions

Answer the following questions:

1. What is the total of the additions to Work in Process Inventory during the year?
2. What is the amount transferred to Finished Goods Inventory during the year?
3. What is the cost of goods sold?

Ans: N/A, LO: 2, 4, Bloom: AP, Difficulty: Moderate, Min: 10, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

Solution 179 (10–14 min.)

1. Direct Materials	$ 350,000
Direct Labor	160,000
Manufacturing Overhead Applied ($160,000 × 150%)	240,000
Total additions to Work in Process Inventory	$750,000
2. Beginning balance, Work in Process Inventory	$ 50,000
Total additions to Work in Process Inventory	750,000
Less: Ending balance, Work in Process Inventory	20,000
Transferred to Finished Goods Inventory	$780,000
3. Beginning balance, Finished Goods Inventory	$150,000
Transferred from Work in Process Inventory	780,000
Less: Ending balance, Finished Goods Inventory	120,000
Cost of Goods Sold	$810,000

Ex. 180

Grant Marwick and Associates, a CPA firm, uses job order costing to capture the costs of its audit jobs. There were no audit jobs in process at the beginning of November. Listed below are data concerning the three audit jobs conducted during November.

	Rondelli	Preston	Lopez
Direct materials	$900	$600	$300
Auditor labor costs	$5,900	$6,600	$3,700
Auditor hours	66	88	45

Overhead costs are applied to jobs on the basis of auditor hours, and the predetermined overhead rate is $50 per auditor hour. The Rondelli job is the only incomplete job at the end of November. Actual overhead for the month was $10,500.

Instructions

(a) Determine the cost of each job.

(b) Indicate the balance of the Work in Process Inventory account at the end of November.

(c) Calculate the ending balance of the Operating Overhead account for November.

Ans: N/A, LO: 2, 4, 5, Bloom: AP, Difficulty: Moderate, Min: 8, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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Solution 180 (8 min.)

(a)	Rondelli	Preston	Lopez
Direct materials	$ 900	$ 600	$ 300
Auditor labor costs	5,900	6,600	3,700
Applied overhead	3,300	4,400	2,250
Total cost	$10,100	$11,600	$6,250

(b) The Rondelli job is the only incomplete job, with a cost of $10,100 which is equal to the ending balance in Work in Process Inventory.

(c)		
	Actual overhead	$10,500
	Applied overhead	9,950
	Balance	$ 550 (Underapplied)

Ex. 181

Gallagher Company applies manufacturing overhead to jobs on the basis of machine hours used. Overhead costs are estimated to total $425,000 for the year and machine usage is estimated at 125,000 hours. For the current year, $450,000 of manufacturing overhead costs are incurred and 130,000 hours are used.

Instructions

(a) Compute the predetermined manufacturing overhead rate for the year.
(b) What is the amount of under- or overapplied overhead at December 31?
(c) Assuming the under- or overapplied overhead for the year is not allocated to inventory accounts, indicate what accounts will be affected and how they will be affected (increase or decrease).

Ans: N/A, LO: 3, 5, Bloom: AP, Difficulty: Moderate, Min: 6, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

Solution 181 (6 min.)

(a) $3.40 per machine hour ($425,000 ÷ 125,000).

(b) ($450,000) – ($3.40 × 130,000 Machine Hours)
$450,000 – $442,000 = $8,000 underapplied

(c) Cost of Goods Sold will be increased and Manufacturing Overhead will be decreased.

Ex. 182

Fancy Decorating uses a job order costing system to collect the costs of its interior decorating business. Each client's consultation is treated as a separate job. Overhead is applied to each job based on the number of decorator hours incurred. Listed below are data for the current year.

Estimated overhead	$880,000
Actual overhead	$910,000
Estimated decorator hours	40,000
Actual decorator hours	41,000

The company uses the account Operating Overhead in place of Manufacturing Overhead.

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Ex. 182 (Cont.)

Instructions

(a) Compute the predetermined overhead rate.

(b) Indicate the accounts that will be affected by the application of overhead for the year, the amount, and the direction (increase or decrease).

(c) Determine whether operating overhead was under- or overapplied and by what amount.

Ans: N/A, LO: 3, 5, Bloom: AP, Difficulty: Moderate, Min: 6, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

Solution 182 (6 min.)

(a) Predetermined overhead rate = Budgeted overhead ÷ Budgeted decorator hours
= $880,000 ÷ 40,000 decorator hours
= $22 per decorator hour

(b) Applied Overhead
Work in Process Inventory is increased $902,000 (41,000 hrs. x $22) and Operating Overhead is decreased by $902,000.

(c)	Actual overhead	$910,000	
	Applied overhead	902,000	
	Balance	$ 8,000	underapplied

Ex. 183

Martin Company applies manufacturing overhead based on direct labor hours. Information concerning manufacturing overhead and labor for the year follows:

Actual manufacturing overhead	$80,000
Estimated manufacturing overhead	$75,000
Direct labor hours incurred	4,800
Direct labor hours estimated	5,000

Instructions

Compute (a) the predetermined overhead rate and (b) the amount of applied manufacturing overhead.

Ans: N/A, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 4, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

Solution 183 (4 min.)

(a) Predetermined overhead rate: $75,000 ÷ 5,000 = $15 per direct labor hour

(b) Applied manufacturing overhead: 4,800 × $15 = $72,000

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Ex. 184

Landis Company uses a job order cost system in each of its two manufacturing departments. Manufacturing overhead is applied to jobs on the basis of direct labor cost in Department A and on the basis of machine hours in Department B. In establishing the predetermined overhead rates for 2022, the following estimates were made for the year:

	Department	
	A	B
Manufacturing overhead	$2,100,000	$1,400,000
Direct labor cost	1,500,000	1,200,000
Direct labor hours	100,000	100,000
Machine hours	200,000	400,000

During January, the job cost sheet showed the following costs and production data:

	Department	
	A	B
Direct materials used	$195,000	$128,000
Direct labor cost incurred	100,000	110,000
Manufacturing overhead incurred	130,000	135,000
Direct labor hours incurred	8,000	8,400
Machine hours incurred	16,000	34,000

Instructions

(a) Compute the predetermined overhead rate for each department.
(b) Compute the total manufacturing cost assigned to jobs in January in each department.
(c) Compute the balance in the Manufacturing Overhead account at the end of January and indicate whether overhead is over- or underapplied.

Ans: N/A, LO: 3, 5, Bloom: AP, Difficulty: Hard, Min: 15, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

Solution 184 (15–20 min.)

(a) Predetermined overhead rates:

Department A (using direct labor cost): $2,100,000 ÷ $1,500,000 = 140%
Department B (using machine hours): $1,400,000 ÷ 400,000 = $3.50 per machine hour

(b) Total manufacturing costs by department:

Department A:	
Direct materials	$195,000
Direct labor cost	100,000
Manufacturing overhead applied ($100,000 × 140%)	140,000
Total manufacturing costs	$435,000
Department B:	
Direct materials	$128,000
Direct labor cost	110,000
Manufacturing overhead applied (34,000 hrs. × $3.50)	119,000
Total manufacturing costs	$357,000

(c)

Dept. A actual overhead	$130,000
Dept. B actual overhead	135,000
Dept. A applied overhead	(140,000)
Dept. B applied overhead	(119,000)
Balance (underapplied)	$ 6,000

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Ex. 185

Edwards Company applies manufacturing overhead to jobs on the basis of machine hours used. Manufacturing overhead costs are estimated to total $1,800,000 for the current year and machine usage is estimated at 200,000 hours.

In January, $186,000 of overhead costs are incurred and 22,000 machine hours are used. For the remainder of the year, $1,940,000 of additional overhead costs are incurred and 214,000 additional machine hours are worked.

Instructions

(a) Compute the manufacturing overhead rate for the year.
(b) What is the amount of over- or underapplied overhead at January 31?
(c) What is the amount of over- or underapplied overhead at December 31?

Ans: N/A, LO: 3, 5, Bloom: AP, Difficulty: Moderate, Min: 11, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

Solution 185 (11–14 min.)

(a) $9 per machine hour ($1,800,000 ÷ 200,000)

(b)	Incurred	$186,000
	Applied ($9 × 22,000)	198,000
	Overapplied overhead	$ 12,000
(c)	Incurred ($186,000 + $1,940,000)	$2,126,000
	Applied ($9 × 236,000)	2,124,000
	Underapplied overhead	$ 2,000

Ex. 186

Klinger Company estimates that annual manufacturing overhead costs will be $4,800,000 for 2022. The actual overhead costs at the end of 2022 are $4,980,000. Activity base information for 2022 follows:

Activity Base	Estimated	Actual
Direct labor cost	$3,000,000	$3,150,000
Direct labor hours	200,000	212,000
Machine hours	150,000	152,000

Instructions

(a) Compute the predetermined overhead rate for each activity base.
(b) Compute the amount of overhead applied in 2022 for each activity base.
(c) Compute the amount of under- or overapplied overhead for 2022 for each activity base.

Ans: N/A, LO: 3, 5, Bloom: AP, Difficulty: Moderate, Min: 12, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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Solution 186 (12–16 min.)

(a) Predetermined overhead rate as a % of direct labor cost:
$4,800,000 ÷ $3,000,000 = 160%

Predetermined overhead rate per hour of direct labor:
$4,800,000 ÷ 200,000 = $24 per hour

Predetermined overhead rate per machine hour used:
$4,800,000 ÷ 150,000 = $32 per machine hour

(b) Overhead applied as a % of direct labor cost:
$3,150,000 × 1.60 = $5,040,000

Overhead applied per hour of direct labor:
212,000 × $24 = $5,088,000

Overhead applied per machine hour used:
152,000 × $32 = $4,864,000

(c) Over- or Underapplied Overhead
($5,040,000 – $4,980,000 = $60,000 Overapplied)

($5,088,000 – $4,980,000 = $108,000 Overapplied)

($4,864,000 – $4,980,000 = $116,000 Underapplied)

Ex. 187

Jensen Manufacturing Company makes hair styling tools. In January 2022, Jensen incurs manufacturing costs of $13,000,000 for direct materials, direct labor, and manufacturing overhead. 20% of the total costs represents overhead applied. The overhead rate is $1 for every $2 of direct labor costs incurred. Inventory balances were:

	January 1	January 31
Raw materials	$300,000	$500,000
Work in process	600,000	400,000
Finished goods	400,000	200,000

At the end of January, there was $1,000 of overapplied overhead.

Instructions

(a) Determine the cost of raw materials purchased in January.
(b) Prepare a cost of goods manufactured schedule for January 2022.
(c) Compute cost of goods sold for January.

Ans: N/A, LO: 5, Bloom: AP, Difficulty: Moderate, Min: 15, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

Solution 187 (15–20 min.)

(a)	Overhead applied ($13,000,000 × 20%)	$2,600,000
	Direct labor used ($2 × $2,600,000)	5,200,000
	Direct materials used ($13,000,000 – $7,800,000)	5,200,000
	Ending raw materials inventory	$ 500,000
	Direct materials used	5,200,000
		5,700,000
	Less: Beginning raw materials inventory	300,000
	Raw materials purchases	$5,400,000

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(b)

JENSEN MANUFACTURING COMPANY
Cost of Goods Manufactured Schedule
For the Month Ended January 31, 2022

Work in process inventory, January 1		$ 600,000
Direct materials used	$5,200,000	
Direct labor	5,200,000	
Manufacturing overhead applied	2,600,000	
Total manufacturing costs		13,000,000
Total cost of work in process		13,600,000
Less: Work in process inventory, January 31		400,000
Cost of goods manufactured		$ 13,200,000

(c)

Finished goods inventory, January 1	$ 400,000
Cost of goods manufactured	13,200,000
Cost of goods available for sale	13,600,000
Less: Finished goods inventory, January 31	200,000
Cost of goods sold	$13,400,000

Ex. 188

The following information is available for Marks Company at December 31, 2022:

1. Inventory balances

	Beginning of Year	End of Year
Finished Goods	$14,000	$10,000
Work in Process	6,000	12,000
Raw Materials	10,300	6,500

2. Additions to Work in Process Inventory during the year were:

Direct materials	$90,000
Direct labor	60,000
Manufacturing overhead applied	75,000

3. Sales totaled $310,000 for the year.

Instructions

(a) Prepare a condensed cost of goods manufactured schedule.
(b) Prepare an income statement for the year through gross profit.

Ans: N/A, LO: 5 Bloom: AP, Difficulty: Moderate, Min: 14, AACSB: Analytic, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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Solution 188 (14–18 min.)

(a)

MARKS COMPANY
Cost of Goods Manufactured Schedule
For the Year Ended December 31, 2022

Work in process inventory, January 1		$ 6,000
Direct materials used	$90,000	
Direct labor	60,000	
Manufacturing overhead applied	75,000	
Total manufacturing costs		225,000
Total cost of work in process		231,000
Less: Work in process inventory, December 31		12,000
Cost of goods manufactured		$219,000

(b)

MARKS COMPANY
(Partial) Income Statement
For the Year Ended December 31, 2022

Sales		$310,000
Cost of Goods Sold		
Finished Goods Inventory, January 1	$ 14,000	
Cost of goods manufactured	219,000	
Cost of goods available for sale	233,000	
Less: Finished Goods Inventory, December 31	10,000	
Cost of goods sold		223,000
Gross profit		$ 87,000

COMPLETION STATEMENTS

189. Cost accounting involves the measuring, recording, and reporting of _____ costs.

Ans: N/A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

190. There are two basic types of cost accounting systems: (1)_____ system, and (2)_____ system.

Ans: N/A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

191. A _____ cost system is appropriate when similar products are continuously produced, whereas a _____ cost system would be more appropriate if the product is custom-made.

Ans: N/A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

192. In a job order cost system, raw materials purchased are added to the _____ account.

Ans: N/A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

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193. The Raw Materials is increased for the cost of _____ and _____ labor.

Ans: N/A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

194. If $20,000 direct materials are requisitioned for a job and $7,000 of indirect materials are requisitioned for general use, the increase to Work in Process Inventory should be for $_____.

Ans: N/A, LO: 2, Bloom: AP, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

195. The cost of producing a particular job under a job cost system is accumulated on a record called a _____.

Ans: N/A, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

196. Manufacturing overhead is applied to jobs by means of a _____ rate.

Ans: N/A, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

197. If actual manufacturing overhead was greater than the amount of manufacturing overhead applied to jobs, the Manufacturing Overhead account will have a _____ balance and overhead is said to be _____.

Ans: N/A, LO: 5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

198. At the end of the year, any balance in the Manufacturing Overhead account should be eliminated as an adjustment to _____.

Ans: N/A, LO: 5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

Answers to Completion Statements

189. product and service
190. job order cost, process cost
191. process, job order
192. Raw Materials Inventory
193. direct; indirect
194. 20,000
195. job cost sheet
196. predetermined overhead
197. positive, underapplied
198. Cost of Goods Sold

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MATCHING

199. Match the items in the two columns below by entering the appropriate code letter in the space provided.

A. Cost accounting	F. Process cost system
B. Materials requisition slip	G. Job cost sheets
C. Time ticket	H. Predetermined overhead rate
D. Cost accounting system	I. Overapplied overhead
E. Job order cost system	J. Underapplied overhead

_____ 1. Used to apply manufacturing overhead to jobs.

_____ 2. Measures, records, and reports product costs.

_____ 3. Actual manufacturing overhead costs are greater than overhead applied to production.

_____ 4. Manufacturing cost accounts are fully integrated into the general ledger.

_____ 5. Source document which authorizes issuance of raw materials to production.

_____ 6. Appropriate when products have distinguishing and heterogeneous characteristics.

_____ 7. Constitutes a subsidiary ledger for Work in Process Inventory.

_____ 8. Indicates the number of hours that employees work and the account to be charged.

_____ 9. Appropriate when products are similar and are produced continuously.

_____ 10. Actual manufacturing overhead costs are less than overhead applied to production.

Ans: N/A, LO: 1-5, Bloom: K, Difficulty: Easy, Min: 5, AACSB: None, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: None, IMA: Cost Management

Answers to Matching

1. H	6. E
2. A	7. G
3. J	8. C
4. D	9. F
5. B	10. I

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SHORT-ANSWER ESSAY QUESTIONS

S-A E 200

(a) Distinguish between the two types of cost accounting systems. (b) Can a company use both types of cost accounting systems?

Ans: N/A, LO: 1, Bloom: S, Difficulty: Easy, Min: 5, AACSB: Communication, AICPA BB: None, AICPA FC: Reporting, AICPA PC: Communications, IMA: Cost Management

Solution 200

(a) The two principal types of cost accounting systems are: (1) job order costing and (2) process costing. Under a job order cost system, costs are assigned to each job or batch of goods; at all times each job or batch of goods can be separately identified. A job order cost system measures costs for each completed job, rather than for set time periods. Under a process cost system, product-related costs are accumulated by or assigned to departments or processes for a set period of time. Job order costing lends itself to specific, special-order manufacturing or servicing while process costing is better suited to similar, large-volume products and continuous process manufacturing.

(b) A company may use both types of systems. For example, General Motors uses process costing for standard model cars and job order costing for custom-made vehicles.

S-A E 201

A job order cost accounting system is fully integrated into the general ledger of a company. Identify the major general ledger accounts used in a job order cost system. Explain how manufacturing costs flow through these accounts so that inventories may be costed and income determined when goods are sold.

Ans: N/A, LO: 1, Bloom: S, Difficulty: Moderate, Min: 5, AACSB: Communication, AICPA BB: None, AICPA FC: Reporting, AICPA PC: Communications, IMA: Cost Management

Solution 201

When a job order cost accounting system is fully integrated into the general ledger of a company, the major general ledger accounts used are Raw Materials Inventory, Factory Labor, Manufacturing Overhead, Work in Process Inventory, and Finished Goods Inventory. As manufacturing costs are incurred, they are added to the Raw Materials Inventory, Factory Labor, and Manufacturing Overhead accounts. As materials are used, labor is assigned, or overhead is applied, the costs are deductions from these accounts and additions to Work in Process Inventory. When jobs are finished, the costs flow from the Work in Process Inventory account to the Finished Goods Inventory account. When jobs are sold, the costs are transferred to Cost of Goods Sold from Finished Goods Inventory.

S-A E 202

Manufacturing overhead items are indirect product costs that **cannot** be traced to individual products. Explain how manufacturing overhead costs are accumulated and how they are assigned to products in a job order cost system.

Ans: N/A, LO: 3, Bloom: S, Difficulty: Easy, Min: 5, AACSB: Communication, AICPA BB: None, AICPA FC: Measurement Analysis and Interpretation, AICPA PC: Communication, IMA: Cost Management

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Solution 202

As manufacturing overhead costs are incurred, they are added to the Manufacturing Overhead account. As jobs move through the factory, manufacturing overhead costs are applied to specific jobs using the predetermined overhead rate. This rate is computed prior to the beginning of the year by dividing estimated annual overhead costs by estimated annual operating activity (generally expressed as direct labor hours, direct labor cost, or machine hours). The overhead is applied by determining how much activity was expended on a particular job (for example, direct labor hours), and applying the rate to that activity.

S-A E 203

Mike Hilyer is confused about under- and overapplied manufacturing overhead. Define the terms for Mike and indicate the balance in the manufacturing overhead account applicable to each term.

Ans: N/A, LO: 3, Bloom: S, Difficulty: Easy, Min: 5, AACSB: Communication, AICPA BB: None, AICPA FC: Reporting, AICPA PC: Communications, IMA: Cost Management

Solution 203

Underapplied overhead means that the overhead assigned to production is less than the overhead incurred. Overapplied overhead means than the overhead assigned to production is greater than the overhead incurred. The Manufacturing Overhead account will have a positive balance when overhead is underapplied and a negative balance when overhead is overapplied.

S-A E 204 (Ethics)

People Carrier Systems, Inc. (PCS) modifies vans that seat 15–20 people by adding additional safety features or wheelchair ramps. Most of its customers are cities and counties, who use the vans to transport school children, the elderly, or the handicapped. The company has specialized in a no-frills approach, emphasizing safety, high quality, and low cost. The company's president was quoted as saying, "Let the other guys make a van pretty. We get people where they need to go—faster, better, and cheaper than anybody else."

The company obtains jobs by being the lowest bidder in a sealed bidding process. Recently, the company was solicited by a top-10 college to submit a bid for a van to be used by its athletic team. Some specialized items were required, such as the school's logo on the outside of the van, and the vinyl seats had to be covered in school colors. The company submitted a bid, and was very surprised to obtain it.

When the job was being prepared, the job manager pointed out that several extra costs could result in this job showing a loss. The boss, an ardent supporter of sports in general and this team in particular, told the manager to just record the standard labor and overhead cost for this job. He says that they could use the predetermined rate for specialized jobs, and increase the overhead application rate (used in submitting bids) by 5% for future routine jobs. "After all," he says, "nobody else comes close to our price anyway. This could start a whole new line of business for us."

Required:

1. Who are the stakeholders in the decision to increase overhead for routine jobs?
2. Is the decision to subsidize special jobs by increasing the overhead rate on routine jobs ethical? Briefly explain.

Ans: N/A, LO: 2, Bloom: S, Difficulty: Moderate, Min: 5, AACSB: Ethics, Communication, AICPA BB: None, AICPA FC: Reporting, AICPA PC: Ethical Conduct, Communication, IMA: Cost Management, Business Applications

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Solution 204

1. The stakeholders include:
   - The employees and managers of PCS
   - Customers who purchase standard vans
   - Customers who purchase sports vans
   - Shareholders of PCS

2. The decision could be considered ethical, if the company clearly understands that it is allowing the customers of the standard vans to cover some of the costs of the specialty ones. This might not be a bad decision, especially if the specialty business is only a small fraction of the total business.

   The company might be compromising its own best interests, however, if it arbitrarily damages relationships with existing customers in order to gain others. It seems undeniable that established customers are preferable to untested ones. While probably ethical, the decision may not be a good one.

S-A E 205 (Communication)

Bridal Treasures, Inc. makes custom wedding gowns. The customer selects a pattern for the basic gown, and then selects fabric and trim. Once the design and the materials have been agreed upon, a Statement of Estimated Cost is signed by the company and by the customer.

Overhead is applied based on the number of days a gown is in process. Usually, five gowns are being worked on at a time. Therefore, each gown is charged 1/5 of a daily estimated overhead amount.

Customer Mary Landon's wedding dress took four days to complete. However, after the first three days had elapsed, Hanna Hunt, a movie personality, suddenly decided to get married, and ordered a very lavish gown. All other work was suspended, and the work on Ms. Landon's dress was delayed six days. The final day of its construction was on the tenth day after it had been begun.

Required:
You are the accounting manager for Bridal Treasures. Write a memo to the billing department. Instruct them as to the appropriate number of overhead days to charge to Ms. Landon's account.

Ans: N/A, LO: 3, Bloom: S, Difficulty: Easy, Min: 5, AACSB: Communication, AICPA BB: None, AICPA FC: Reporting, AICPA PC: Communication, IMA: Cost Management, Reporting

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Solution 205

TO: Billing Department

FROM: M. Long, Accounting Manager

RE: Overhead billing, Landon account

As you know, our standard procedure in billing overhead is to simply multiply our daily overhead rate by the number of days the gown was in our possession. However, for the Landon gown, and any other jobs we suspended for the Hanna Hunt gown, we should not charge for the days the gowns were in our possession but not being worked on.

We should adjust the billing for the Hanna Hunt gown, so that it absorbs the full daily cost of overhead, since it actually was the only job worked on during those six days. The Landon job should be charged only four days of overhead. Other suspended jobs should be treated similarly.

Please call if you have questions.

(signed)

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CHAPTER 2

JOB ORDER COSTING

CHAPTER LEARNING OBJECTIVES

1. ***Describe cost systems and the flow of costs in a job order system.*** Cost accounting involves the procedures for measuring, recording, and reporting product costs. From the data accumulated, companies determine the total cost and the unit cost of each product. The two basic types of cost accounting systems are process cost and job order cost. In job order costing, companies first accumulate manufacturing costs in three accounts: Raw Materials Inventory, Factory Labor, and Manufacturing Overhead. They then assign the accumulated costs to Work in Process Inventory and eventually to Finished Goods Inventory and Cost of Goods Sold.

2. ***Use a job cost sheet to assign costs to Work in Process.*** A job cost sheet is a form used to record the costs chargeable to a specific job and to determine the total and unit costs of the completed job. Job cost sheets constitute the subsidiary ledger for the Work in Process Inventory control account.

3. ***Demonstrate how to determine and use the predetermined overhead rate.*** The predetermined overhead rate is based on the relationship between estimated annual overhead costs and estimated annual operating activity. This is expressed in terms of a common activity base, such as direct labor cost, direct labor hours, or machine hours. Companies use this rate to assign overhead costs to Work in Process and to specific jobs.

4. ***Prepare entries for manufacturing and service jobs completed and sold.*** When jobs are completed, companies debit the cost to Finished Goods Inventory and credit it to Work in Process Inventory. When a job is sold the entries are: (a) Debit Cash or Accounts Receivable and credit Sales Revenue for the selling price, and (b) Debit Cost of Goods Sold and credit Finished Goods Inventory for the cost of the goods.

5. ***Distinguish between under- or overapplied manufacturing overhead.*** Underapplied manufacturing overhead indicates that the overhead assigned to Work in Process is less than the overhead incurred. Overapplied overhead indicates that the overhead assigned to Work in Process is greater than the actual overhead costs incurred.

TRUE-FALSE STATEMENTS

1. Cost accounting is primarily concerned with accumulating information about product costs.

Ans: T, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

2. A job order cost system is most appropriate when a large volume of uniform products is produced.

Ans: F, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Reporting

3. A process cost system is appropriate for similar products that are continuously mass produced.

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Ans: T, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Reporting

4. The perpetual inventory method cannot be used in a job order cost system.

Ans: F, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Reporting

5. A job order cost system and a process cost system are two alternative methods for accumulating product costs.

Ans: T, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

6. A job order cost system identifies costs with a particular job rather than with a set time period.

Ans: T, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

7. A company may use either a job order cost system or a process cost system, but not both.

Ans: F, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

8. Raw Materials Inventory, Factory Labor, and Manufacturing Overhead are all control accounts in the general ledger when a job order cost accounting system is used.

Ans: F, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

9. Accumulating and assigning manufacturing costs are two important activities in a job order cost system.

Ans: T, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

10. Recording the acquisition cost of raw materials is a part of accumulating manufacturing costs.

Ans: T, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

11. Manufacturing costs are generally incurred in one period and recorded in a subsequent period.

Ans: F, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

12. The Purchases account is credited for all returns and allowances of raw materials purchases

Ans: F, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

13. When raw materials are received, there is no effort at this point to associate the cost of materials with specific jobs.

Ans: T, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

14. When raw materials are purchased, the Work in Process Inventory account is debited.

Ans: F, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

15. Factory labor should be assigned to selling and administrative expenses on a proportionate basis.

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Ans: F, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

16. Benefits and payroll taxes associated with factory workers should be accumulated as a part of Factory Labor.

Ans: T, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

17. Job order cost sheets constitute the subsidiary ledger of the control account Work in Process Inventory.

Ans: T, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

18. In a job order cost system, each entry to the Work in Process Inventory account should be accompanied by a posting to one or more job cost sheets.

Ans: T, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

19. Direct materials requisitioned from the storeroom should be charged to the Work in Process Inventory account and the job cost sheets for the individual jobs on which the materials were used.

Ans: T, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

20. Manufacturing overhead is the only product cost that can be assigned to jobs as soon as the costs are incurred.

Ans: F, LO: 3 Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

21. There should be a separate job cost sheet for each job.

Ans: T, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

22. Actual manufacturing overhead costs are assigned to each job by tracing each overhead cost to a specific job.

Ans: F, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: FSA

23. The calculation for the predetermined overhead rate is estimated annual overhead costs divided by an estimated volume of annual operating activity.

Ans: T, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

24. Actual manufacturing overhead costs should be charged to the Work in Process Inventory account as they are incurred.

Ans: F, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

25. Finished Goods Inventory is decreased for the cost of jobs completed during a period.

Ans: F, LO: 4, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Risk Management, AICPA PC: None, IMA: Internal Controls

26. Finished Goods Inventory is charged for the cost of jobs completed during a period.

Ans: T, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

27. When goods are sold, the Cost of Goods Sold account is debited and Work in Process Inventory account is credited.

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Ans: F, LO: 4, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: FSA

28. Total manufacturing costs for a period consists of the cost of direct materials used, the cost of direct labor incurred, and the manufacturing overhead applied during the period.

Ans: T, LO: 5 Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

29. Overapplied overhead means that actual manufacturing overhead costs were greater than the manufacturing overhead costs applied to jobs.

Ans: F, LO: 5, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

30. At the end of the year, the amount of the overapplied overhead is usually credited to Cost of Goods Sold.

Ans: T, LO: 5, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

31. A cost accounting system consists of manufacturing cost accounts that are fully integrated into the general ledger of a company.

Ans: T, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

32. The cost of raw materials purchased is credited to Raw Materials Inventory when materials are received.

Ans: F, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

33. Requisitions for direct materials are posted daily to the individual job cost sheets.

Ans: T, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: None, AICPA PC: None, IMA: Business Economics

34. The predetermined overhead rate is based on the relationship between the estimated annual overhead costs and the estimated annual operating activity expressed in terms of a common activity base.

Ans: T, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

35. At the end of the year, underapplied overhead is usually credited to Cost of Goods Sold.

Ans: F, LO: 5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

MULTIPLE CHOICE QUESTIONS

36. Which of the following is one of the purposes of cost accounting?
    a. It involves measuring product costs.
    b. It involves the determination of company profits.
    c. It requires GAAP to be applied.
    d. It requires cost minimizing principles.

Ans: A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

37. A major purpose of cost accounting is to
    a. classify all costs as operating or nonoperating.

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b. measure, record, and report period costs.
c. provide information to stockholders for investment decisions.
d. measure, record, and report product costs.

Ans: D, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

38. The two basic types of cost accounting systems are
a. job order cost and job cost accumulation systems.
b. job order cost and process cost systems.
c. process cost and batch cost systems.
d. job order cost and batch cost systems.

Ans: B, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

39. A process cost system would most likely be used by a company that makes
a. music videos.
b. repairs to electric bicycles.
c. ramen noodles.
d. college graduation announcements.

Ans: C, LO: 1, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

40. Which of the following would be accounted for using a job order cost system?
a. The production of computer docking stations.
b. The production of electric cars.
c. The refining of petroleum.
d. The construction of a new campus dormitory.

Ans: D, LO: 1, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

41. Process costing is used when
a. the production process is continuous.
b. production is aimed at filling a specific customer order.
c. dissimilar products are involved.
d. costs are to be assigned to specific jobs.

Ans: A, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

42. Process costing is **not** used when
a. similar goods are being produced.
b. large volumes are produced.
c. jobs have distinguishing characteristics.
d. a series of connected manufacturing processes is necessary.

Ans: C, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

43. An important feature of a job order cost system is that each job
a. must be similar to previous jobs completed.
b. has its own distinguishing characteristics.
c. must be completed before a new job is accepted.

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d. consists of one unit of output.

Ans: B, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

44. As of December 31, 2022, Stand Still Industries had $2,500 of raw materials inventory. At the beginning of 2022, there was $2,000 of materials on hand. During the year, the company purchased $375,000 of materials; however, it paid for only $312,500. How much inventory was requisitioned for use on jobs during 2022?
a. $312,000
b. $374,500
c. $375,500
d. $313,000

Ans: B, LO: 1, Bloom: AP, Difficulty: Moderate, Min: 2, AACSB: Analytic, Process and Resource Management Perspectives, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Business Economics
Solution: $2,000 + $375,000 – $2,500 = $374,500
(Beginning raw materials inventory + Purchases – Ending raw materials inventory = Raw materials requisitioned)

45. The flow of costs in a job order cost system
a. involves accumulating manufacturing costs incurred and assigning the accumulated costto work done.
b. cannot be measured until all jobs are complete.
c. measures product costs for a set time period.
d. generally follows a LIFO cost flow assumption.

Ans: A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

46. In a job order cost system, the Work in Process Inventory account is
a. an expense.
b. a control account.
c. not used.
d. a period cost.

Ans: B, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

47. When a job is completed and all costs have been accumulated on a job cost sheet, the journal entry that should be made is
a. Finished Goods Inventory
Direct Materials
Direct Labor
Manufacturing Overhead
b. Work in Process Inventory
Direct Materials
Direct Labor
Manufacturing Overhead
c. Raw Materials Inventory

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Work in Process Inventory

d. Finished Goods Inventory
Work in Process Inventory

Ans: D, LO: 1, Bloom: C, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

48. The two major steps in the flow of costs are
a. allocating and assigning.
b. acquiring and accumulating.
c. accumulating and assigning.
d. accumulating and amortizing.

Ans: C, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

49. The Raw Materials Inventory account is
a. a subsidiary account.
b. debited for invoice costs and freight costs charged to the purchaser.
c. debited for purchase discounts taken.
d. debited for purchase returns and allowances.

Ans: B, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

50. Records of individual items of raw materials would **not** be maintained
a. electronically.
b. manually.
c. on stores ledger cards.
d. in the Raw Materials Inventory account.

Ans: D, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Leverage Technology, AICPA PC: Project Management, IMA: Business Applications

51. The cost of raw materials is debited to Raw Materials Inventory when the
a. materials are ordered.
b. materials are received.
c. materials are put into production.
d. bill for the materials is paid.

Ans: B, LO: 1, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

52. Which of the following is **not** included in factory labor costs?
a. Gross earnings.
b. Employer payroll taxes.
c. Employee benefits.
d. All of these are included in factory labor costs.

Ans: D, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

53. All of the following would be entries in assigning accumulated costs to the Work in Process Inventory **except**
a. the purchase of raw materials.
b. raw materials are used.

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c. overhead is applied.
d. factory labor is used.

Ans: A, LO: 1, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

54. Factory labor costs
a. are accumulated in a control account.
b. do not include pension costs.
c. include vacation pay.
d. are based on workers' net pay.

Ans: C, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

55. Factory Labor is a(n)
a. expense account.
b. control account.
c. subsidiary account.
d. temporary account.

Ans: D, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

56. Kline Manufacturing has the following labor costs:

Factory—Gross wages	$500,000
Factory—Net wages	420,000
Employer Payroll Taxes Payable	50,000

The entry to record the cost of factory labor and the associated payroll tax expense will include a debit to Factory Labor for
a. $550,000.
b. $500,000.
c. $470,000.
d. $450,000.

Ans: A, LO: 1, Bloom: AP, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: FSA
Solution: $500,000 + $50,000 = $550,000
(Gross Wages + Payroll Taxes = Factory Labor)

57. Factory labor costs
a. accumulate in advance of utilization.
b. accumulate in a control account.
c. include sick pay earned by factory workers.
d. accumulate in the Factory Labor Expense account.

Ans: C, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

58. Which of the following is **not** a control account?
a. Finished Goods Inventory
b. Raw Materials Inventory
c. Work in Process Inventory

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d. All of these are control accounts

Ans: B, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

59. Manufacturing Overhead does **not** include amounts paid for
    a. factory utilities.
    b. property taxes on the manufacturing facility.
    c. supervisor labor costs.
    d. the CEO's salary.

Ans: D, LO: 2, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

60. The entry to record the acquisition of raw materials on account is
    a. Work in Process Inventory
       Accounts Payable
    b. Manufacturing Overhead
       Raw Materials Inventory
       Accounts Payable
    c. Accounts Payable
       Raw Materials Inventory
    d. Raw Materials Inventory
       Accounts Payable

Ans: D, LO: 1, Bloom: C, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: FSA

61. Which one of the following best describes a job cost sheet?
    a. It is a form used to record the costs chargeable to a specific job and to determine the total and unit costs of the completed job.
    b. It is used to track manufacturing overhead costs to specific jobs.
    c. It is used by management to understand how direct costs affect profitability.
    d. It is a daily form that management uses for tracking worker productivity on which employee raises are based.

Ans: A, LO: 2, Bloom: K, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

62. Job cost sheets constitute the subsidiary ledger for the
    a. Finished Goods Inventory account.
    b. Cost of Goods Sold account.
    c. Work in Process Inventory account.
    d. Cost of Goods Manufactured account.

Ans: C, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

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63. A materials requisition slip shows that direct materials requisitioned were $66,000 and indirect materials requisitioned were $9,000. The entry to record the transfer of materials from the storeroom is

a.	Work in Process Inventory	66,000	
	Raw Materials Inventory		66,000
b.	Direct Materials	66,000	
	Indirect Materials	9,000	
	Work in Process Inventory		75,000
c.	Manufacturing Overhead	75,000	
	Raw Materials Inventory		75,000
d.	Work in Process Inventory	66,000	
	Manufacturing Overhead	9,000	
	Raw Materials Inventory		75,000

Ans: D, LO: 2, Bloom: AP, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: FSA

64. The job cost sheet does **not** show
a. costs chargeable to a specific job.
b. the total costs of a completed job.
c. the unit cost of a completed job.
d. the cost of goods sold.

Ans: D, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

65. Under an effective system of internal control, the authorization for issuing materials is made
a. orally.
b. on a prenumbered materials requisition slip.
c. by the accounting department.
d. by anyone on the production line.

Ans: B, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Risk Management, AICPA PC: None, IMA: Internal Controls

66. A copy of the materials requisition slip would **not** include the
a. quantity.
b. stock number.
c. cost per unit.
d. name of the supplier.

Ans: D, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Reporting, AICPA PC: None, IMA: Internal Controls

67. Materials requisition slips are costed
a. by production supervisors.
b. by factory personnel who work on the production line.
c. after the goods have been sold.
d. using any of the inventory costing methods.

Ans: D, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

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68. Postings to control accounts in a costing system are made
    a. monthly.
    b. daily.
    c. annually.
    d. when errors are discovered

Ans: A, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Applications

69. Which one of the following should be equal to the balance of the Work in Process Inventory account at the end of the period?
    a. The total of the amounts transferred from raw materials for the current period
    b. The sum of the costs shown on the job cost sheets for unfinished jobs
    c. The total of manufacturing overhead applied to Work in Process for the period
    d. The total manufacturing costs for the period

Ans: B, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

70. Which of the following shows entries only to control accounts?
    a. Factory Labor
       Factory Wages Payable
    b. Work in Process Inventory
       Factory Labor
          Raw Materials Inventory
          Factory Wages Payable
    c. Work in Process Inventory
       Manufacturing Overhead
          Raw Materials Inventory
    d. All of these entries include control accounts.

Ans: C, LO: 2, Bloom: C, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: FSA

71. A time ticket does **not** indicate the
    a. employee's name.
    b. account to be charged.
    c. number of personal exemptions claimed by the employee.
    d. job number.

Ans: C, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

72. Which one of the following is a source document that impacts the job cost sheet?
    a. Raw materials receiving slips.
    b. Materials purchase orders.
    c. Labor time tickets.
    d. Finished goods shipping documents.

Ans: C, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Internal Controls

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73. Time tickets should be approved by
    a. the audit committee.
    b. co-workers.
    c. the employee's supervisor.
    d. the payroll department.

Ans: C, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Internal Controls

74. If the entry to assign factory labor shows only a debit to Work in Process Inventory, then all labor costs were
    a. direct labor.
    b. indirect labor.
    c. overtime related.
    d. regular hours.

Ans: A, LO: 2, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

75. The principal accounting record used in assigning costs to jobs is
    a. the job cost sheet.
    b. the cost of goods manufactured schedule.
    c. the Manufacturing Overhead control account.
    d. the stores ledger cards.

Ans: A, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

76. The following information is available for completed Job No. 402: Direct materials, $120,000; direct labor, $180,000; manufacturing overhead applied, $90,000; units produced, 5,000 units; units sold, 4,000 units. The cost of the finished goods inventory on hand from this job is
    a. $60,000.
    b. $390,000.
    c. $78,000.
    d. $312,000.

Ans: C, LO: 2, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting
Solution: $120,000 + $180,000 + $90,000 = $390,000; $390,000 ÷ 5,000 = $78; $78 x (5,000- 4,000) = $78,000
(Direct materials + Direct labor + Manufacturing overhead applied = Cost of job; Cost of job ÷ Units produced = Cost per unit; Cost per unit x Units on hand = Cost of finished goods on hand)

77. Sportly, Inc. completed Job No. B14 during 2022. The job cost sheet listed the following:

Direct materials	$110,000
Direct labor	$60,000
Manufacturing overhead applied	$40,000
Units produced	3,000 units
Units sold	1,800 units

    What is the cost of the finished goods inventory on hand from this job?
    a. $210,000
    b. $126,000
    c. $ 84,000
    d. $102,000

Ans: C, LO: 2, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting
Solution: $110,000 + $60,000 + $40,000 = $210,000; $210,000 ÷ 3,000 = $70; $70 x (3,000 – 1,800) = $84,000
(Direct materials + Direct labor + Manufacturing overhead applied = Cost of job; Cost of job ÷ Units produced = Cost per unit; Cost per unit x Units on hand = Cost of finished goods on hand)

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78. Madison Inc. uses job order costing for its line of dual zone wine refrigerators. The cost incurred for production during 2022 totaled $18,000 of materials, $9,000 of direct labor costs, and $6,000 of manufacturing overhead applied. The company ships the refrigerators as soon as they are completed which results in no finished goods inventory on hand at the end of any year. Beginning Work in Process inventory totaled $15,000, and the ending balance is $9,000. During the year, the company completed 25 refrigerators. What is the cost per refrigerator?

    a. $1,080
    b. $1,560
    c. $1,320
    d. $1,920

Ans: B, LO: 2, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics
Solution: $15,000 + $18,000 + $9,000 + $6,000 – $9,000 = $39,000; $39,000 ÷ 25 = $1,560
(Beginning Work in Process inventory + Direct materials + Direct labor + Manufacturing overhead applied – Ending Work in Process inventory= Costs incurred for complete units; Costs incurred for complete units ÷ Units completed = Cost per completed unit)

79. As of December 31, 2022, Nilsen Industries had $2,000 of raw materials inventory. At the beginning of 2022, there was $1,600 of materials on hand. During the year, the company purchased $354,000 of materials; however it paid for only $314,000. How much inventory was requisitioned for use on jobs during 2022?

    a. $354,400
    b. $344,400
    c. $352,600
    d. $353,600

Ans: D, LO: 2, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics
Solution: $1,600 + $354,000 – $2,000 = $353,600
(Beginning raw materials inventory + Purchases – Ending raw materials inventory = Raw materials requisitioned)

80. Cost of goods manufactured equals $85,000 for 2022. Finished goods inventory is $2,000 at the beginning of the year and $5,500 at the end of the year. Beginning and ending Work in Process inventory for 2022 are $4,000 and $5,000, respectively. How much is cost of goods sold for the year?

    a. $87,500
    b. $83,000
    c. $81,500
    d. $80,500

Ans: C, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting
Solution: $2,000 + $85,000 – $5,500 = $81,500
(Beginning finished goods inventory + Cost of goods manufactured – Ending finished goods inventory = Cost of goods sold)

81. A company estimated its annual overhead costs to be $1,500,000 and direct labor costs to be $1,000,000. Actual overhead was $1,450,000, and actual labor costs totaled $1,100,000. What is the company's predetermined overhead rate (rounded to the nearest cent)?

    a. $1.45
    b. $1.32
    c. $1.50
    d. $1.36

Ans: C, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics
Solution: $1,500,000 ÷ $1,000,000 = $1.50
(Estimated overhead ÷ Estimated direct labor cost = Predetermined overhead rate)

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82. Vektek, Inc. considers machine hours to be the best activity base for applying its manufacturing overhead. In the current period, the estimate of annual overhead costs for its jobs was $2,050,000. The company used 1,000 hours of processing on Job No. B12 during the period and incurred overhead costs totaling $2,100,000. The budgeted machine hours for the year totaled 20,000. How much overhead should be applied to Job No. B12?
a. $2,100
b. $102,500
c. $105,000
d. $2,050

Ans: B, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: FSA
Solution: $2,050,000 ÷ 20,000 = $102.50 per direct labor hour; 1,000 x $102.50 = $102,500
(Estimated overhead ÷ Estimated direct labor hours = Predetermined overhead rate; Actual hours x Predetermined overhead rate = Overhead applied)

83. Barr Mfg. provided the following information from its accounting records for 2022:

Estimated production	60,000 labor hours
Actual production	56,000 labor hours
Estimated overhead	$900,000
Actual overhead	$870,000

What is the overhead application rate if Barr bases the rate on direct labor hours (rounded to the nearest cent)?
a. $16.07 per hour
b. $15.00 per hour
c. $14.50 per hour
d. $15.54 per hour

Ans: B, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: FSA
Solution: $900,000 ÷ 60,000 = $15.00 per direct labor hour
(Estimated overhead ÷ Estimated direct labor hours = Predetermined overhead rate)

84. Kinney Company applies overhead on the basis of 150% of direct labor cost. Job No. 176 is charged with $150,000 of direct materials costs and $180,000 of manufacturing overhead. The total manufacturing costs for Job No. 176 is
a. $430,000.
b. $600,000.
c. $450,000.
d. $405,000.

Ans: C, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: FSA
Solution: $180,000 ÷ 150% = $120,000; $150,000 + $120,000 + $180,000 = $450,000
(Manufacturing overhead ÷ Overhead rate = Direct labor cost; Direct materials + Direct labor + Manufacturing overhead applied = Total manufacturing cost of job)

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85. Redman Company manufactures customized sit-stand desks. The following pertains to Job No. 978:

Direct materials used	$15,450
Direct labor hours worked	360
Direct labor rate per hour	$15.00
Machine hours used	300
Applied factory overhead rate per machine hour	$22.00

What is the total manufacturing cost for Job No. 978?
a. $25,650
b. $27,450
c. $28,950
d. $30,750

Ans: B, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting
Solution: $15,450 + (360 x $15) + (300 x $22) = $27,450
[Direct materials + (Direct labor hours worked x Direct labor hour rate) + (Machine hours used x Factory overhead rate) = Total manufacturing cost of job]

86. Henson Company applies overhead on the basis of 120% of direct labor cost. Job No. 190 is charged with $140,000 of direct materials costs and $180,000 of manufacturing overhead. The total manufacturing costs for Job No. 190 is
a. $320,000.
b. $536,000.
c. $488,000.
d. $470,000.

Ans: D, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: FSA
Solution: $180,000 ÷ 120% = $150,000; $140,000 + $150,000 + $180,000 = $470,000
(Manufacturing overhead ÷ Overhead rate = Direct labor cost; Direct materials + Direct labor + Manufacturing overhead applied = Total manufacturing cost of job)

87. Norman Company manufactures customized metal buildings. The following pertains to Job No. 953:

Direct materials used	$22,800
Direct labor hours worked	600
Direct labor rate per hour	$16.00
Machine hours used	400
Applied factory overhead rate per machine hour	$30.00

What is the total manufacturing cost for Job No. 953?
a. $41,200
b. $44,400
c. $47,200
d. $50,400

Ans: B, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting
Solution: $22,800 + (600 x $16) + (400 x $30) = $44,400
[Direct materials + (Direct labor hours worked x Direct labor hour rate) + (Machine hours used x Factory overhead rate) = Total manufacturing cost of job]

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88. Minton Company provided the following information from its accounting records for 2022:

Estimated production	60,000 labor hours
Actual production	56,000 labor hours
Estimated overhead	$1,800,000
Actual overhead	$1,740,000

What is the predetermined overhead application rate if Minton Company bases it on direct labor hours (rounded to the nearest cent)?
a. $30.00 per hour
b. $29.00 per hour
c. $32.14 per hour
d. $31.07 per hour

Ans: A, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: FSA
Solution: $1,800,000 ÷ 60,000 = $30.00 per direct labor hour
(Estimated overhead ÷ Estimated direct labor hours = Predetermined overhead rate)

89. The labor costs that have been identified as indirect labor should be charged to
a. manufacturing overhead.
b. direct labor.
c. the individual jobs worked on.
d. salary expense.

Ans: A, LO: 3, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Reporting

90. Manufacturing overhead is applied to each job
a. at the time when the overhead cost is incurred.
b. by means of a predetermined overhead rate.
c. at the end of the year when actual costs are known.
d. only if the overhead costs can be directly traced to that job.

Ans: B, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

91. The predetermined overhead rate is based on the relationship between
a. estimated annual costs and actual activity.
b. estimated annual costs and estimated annual activity.
c. actual monthly costs and actual annual activity.
d. estimated monthly costs and actual monthly activity.

Ans: B, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

92. The predetermined overhead rate is
a. determined on a moving average basis throughout the year.
b. not calculated until actual overhead costs are incurred.
c. determined at the beginning of the year.
d. determined at the end of the current year.

Ans: C, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

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93. In calculating a predetermined overhead rate, a trend in automated manufacturing operations is to choose an activity base related to
    a. direct labor hours.
    b. indirect labor dollars.
    c. machine hours.
    d. raw materials dollars.

Ans: C, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

94. Annual overhead costs are estimated to be $750,000 and direct labor costs are estimated to be $1,000,000. If the activity base is direct labor costs,
    a. $1.33 is the predetermined overhead rate.
    b. for every dollar of manufacturing overhead, 75 cents of direct labor cost will be assigned.
    c. for every dollar of direct labor cost, 75 cents of manufacturing overhead will be assigned.
    d. a predetermined overhead rate cannot be determined.

Ans: C, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics
Solution: $750,000 ÷ $1,000,000 = $.75
(Estimated overhead ÷ Estimated direct labor cost = Predetermined overhead rate)

95. Overhead application is recorded with a
    a. credit to Work in Process Inventory.
    b. credit to Manufacturing Overhead.
    c. debit to Manufacturing Overhead.
    d. credit to job cost sheets.

Ans: B, LO: 3, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

96. Manufacturing overhead applied is added to direct labor incurred and to what other item to equal total manufacturing costs for the period?
    a. Goods available for sale
    b. Raw materials purchased
    c. Work in Process inventory
    d. Direct materials used

Ans: D, LO: 3, Bloom: K, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

97. Simmons Inc. applies overhead to production at a predetermined rate of 90% of direct labor cost. Job No. 250, the only job still in process at the end of August, has been charged with manufacturing overhead of $8,100. What was the amount of direct materials charged to Job 250 if the balance in Work in Process Inventory is $30,000?
    a. $8,100
    b. $9,000
    c. $12,900
    d. $14,610

Ans: C, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting
Solution: $8,100 ÷ 90% = $9,000; X + $9,000 + $8,100 = $30,000; X = $12,900
(Manufacturing overhead ÷ Overhead rate = Direct labor cost; Direct materials + Direct labor + Manufacturing overhead applied = Total manufacturing cost of job)

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98. Spencer Inc. applies overhead to production at a predetermined rate of 80% of direct labor cost. Job No. 130, the only job still in process at the end of August, has been charged with manufacturing overhead of $6,400. What was the amount of direct materials charged to Job 130 if the balance in Work in Process Inventory is $20,000?
    a. $7,000
    b. $6,400
    c. $5,600
    d. $8.480

Ans: C, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting
Solution: $6,400 ÷ 80% = $8,000; X + $8,000 + $6,400 = $20,000; X = $5,600
(Manufacturing overhead ÷ Overhead rate = Direct labor cost; Direct materials + Direct labor + Manufacturing overhead applied = Total manufacturing cost of job)

99. For Jacobs Company, the predetermined overhead rate is 70% of direct labor cost. During the month, $600,000 of factory labor costs are incurred of which $140,000 is indirect labor. Actual overhead incurred was $320,000. The amount of overhead debited to Work in Process Inventory should be
    a. $322,000.
    b. $320,000.
    c. $420,000.
    d. $460,000.

Ans: A, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics
Solution: ($600,000 – $140,000) x 70% = $322,000
[(Factory labor costs – Indirect labor) x Predetermined overhead rate = Amount debited to Work in Process inventory]

100. Simpson Company applies overhead on the basis of 200% of direct labor cost. Job No. 305 is charged with $180,000 of direct materials costs and $200,000 of manufacturing overhead. The total manufacturing cost for Job No. 305 is
    a. $380,000.
    b. $480,000.
    c. $560,000.
    d. $580,000.

Ans: B, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting
Solution: $200,000 ÷ 200% = $100,000; $180,000 + $100,000 + $200,000 = $480,000
(Manufacturing overhead ÷ Overhead rate = Direct labor cost; Direct materials + Direct labor + Manufacturing overhead applied = Total manufacturing cost of job)

101. For Wilton Company, the predetermined overhead rate is 70% of direct labor cost. During the month, $720,000 of factory labor costs are incurred of which $200,000 is indirect labor. Actual overhead incurred was $360,000. The amount of overhead charged to Work in Process Inventory is
    a. $364,000.
    b. $360,000.
    c. $504,000.
    d. $520,000

Ans: A, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics
Solution: ($720,000 – $200,000) x 70% = $364,000
[(Factory labor costs – Indirect labor) x Predetermined overhead rate = Amount debited to Work in Process inventory]

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102. At the beginning of the year, Monroe Company estimates annual overhead costs to be $2,400,000 and that 300,000 machine hours will be operated. Machine hours is the overhead allocation base. What is the amount of overhead applied during the year if actual machine hours for the year was 315,000 hours?
    a. $2,400,000
    b. $2,285,714
    c. $1,680,000
    d. $2,520,000

Ans: D, LO: 4, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: FSA
Solution: $2,400,000 ÷ 300,000 = $8.00 per machine hour; 315,000 x $8 = $2,520,000
(Estimated overhead ÷ Estimated machine hours = Predetermined overhead rate; Actual machine hours x Predetermined overhead rate = Overhead applied)

103. Cost of goods sold is obtained from
    a. analysis of all the control accounts in the cost system.
    b. the Finished Goods Inventory records.
    c. the Work in Process Inventory records.
    d. the Raw Materials Inventory control account.

Ans: B, LO: 4, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

104. When determining costs of jobs, how does a company account for the cost of indirect materials?
    a. The cost is added to Work in Process inventory as used.
    b. The cost remains part of Raw Materials Inventory.
    c. The cost is transferred out of Raw Materials Inventory and into manufacturing overhead when used.
    d. The cost is transferred out of Raw Materials Inventory and into Work in Process inventory as used.

Ans: C, LO: 4, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

105. In a job order cost system, a credit to Manufacturing Overhead will be accompanied by a debit to
    a. Cost of Goods Manufactured.
    b. Finished Goods Inventory.
    c. Work in Process Inventory.
    d. Raw Materials Inventory.

Ans: C, LO: 4, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

106. During 2022, Tanner Manufacturing estimated that Job No. 26 would incur $300,000 of overhead, $500,000 of materials, and $200,000 in labor. Tanner applied overhead based on direct labor cost. Actual production required an overhead cost of $290,000, $550,000 in materials used, and $220,000 in labor. All of the goods were completed. What amount was transferred to Finished Goods Inventory?
    a. $1,000,000
    b. $1,060,000
    c. $1,070,000
    d. $1,100,000

Ans: D, LO: 4, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: FSA
Solution: $300,000 ÷ $200,000 = 150% of direct labor cost; $550,000 + $220,000 + ($220,000 x 150%) = $1,100,000
[Estimated overhead ÷ Estimated direct labor cost = Predetermined overhead rate; Direct materials + Direct labor + (Direct labor x Predetermined overhead rate) = Amount transferred to finished goods]

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107. Debits to Work in Process Inventory are accompanied by credits to all but which one of the following accounts?
   a. Raw Materials Inventory
   b. Factory Labor
   c. Manufacturing Overhead
   d. Cost of Goods Sold

Ans: D, LO: 4, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

108. Which of the following is **not** viewed as part of accumulating manufacturing costs in a job order cost system?
   a. Cost of goods sold is recognized.
   b. Raw materials are purchased.
   c. Factory labor is incurred.
   d. Manufacturing overhead is incurred.

Ans: A, LO: 4, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

109. Which of the following is **not** viewed as part of assigning manufacturing costs in a job order cost system?
   a. Manufacturing overhead is applied.
   b. Raw materials are used.
   c. Manufacturing overhead is incurred.
   d. Completed goods are recognized.

Ans: C, LO: 4, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

110. In determining total manufacturing costs on the cost of goods manufactured schedule,
   a. beginning Work in Process Inventory should have a zero balance.
   b. actual manufacturing overhead costs appear as a deduction.
   c. manufacturing overhead applied is added to direct materials and direct labor.
   d. ending Work in Process inventory is deducted from beginning Work in Process Inventory.

Ans: C, LO: 5, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

111. Gulick Company developed the following data for the current year:

Beginning Work in Process Inventory	$240,000
Direct materials used	144,000
Actual overhead	288,000
Overhead applied	216,000
Cost of goods manufactured	264,000
Total manufacturing costs	720,000

Gulick Company's direct labor cost for the year is
   a. $72,000.
   b. $360,000.
   c. $216,000.
   d. $288,000.

Ans: B, LO: 5 Bloom: AP, Difficulty: Hard, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting
Solution: $144,000 + X + $216,000 = $720,000; X = $360,000
(Direct materials used + Direct labor + Manufacturing overhead applied = Total manufacturing costs)

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112. Gulick Company developed the following data for the current year:

Beginning Work in Process Inventory	$240,000
Direct materials used	144,000
Actual overhead	288,000
Overhead applied	216,000
Cost of goods manufactured	264,000
Total manufacturing costs	720,000

Gulick Company's ending Work in Process Inventory is
a. $696,000.
b. $480,000.
c. $456,000.
d. $216,000.

Ans: A, LO: 45 Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting
Solution: $240,000 + $720,000 – X = $264,000; X = $696,000
(Beginning Work in Process inventory + Total manufacturing costs – Ending Work in Process inventory = Cost of goods manufactured)

113. Hayward Manufacturing Company developed the following data:

Beginning Work in Process Inventory	$900,000
Direct materials used	700,000
Actual overhead	1,100,000
Overhead applied	800,000
Cost of goods manufactured	1,200,000
Ending Work in Process Inventory	1,500,000

Hayward Manufacturing Company's total manufacturing costs for the period is
a. $1,900,000.
b. $1,800,000.
c. $1,300,000.
d. cannot be determined from the data provided.

Ans: B, LO: 4, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting
Solution: $900,000 + X – $1,500,000 = $1,200,000; X = $1,800,000
(Beginning Work in Process inventory + Total manufacturing costs – Ending Work in Process inventory = Cost of goods manufactured)

114. Which of the following is **not** used in assigning manufacturing costs to Work in Process Inventory?
a. Actual manufacturing overhead
b. Time tickets
c. Materials requisitions
d. Predetermined overhead rate

Ans: A, LO: 4, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

115. On the cost of goods manufactured schedule, the cost of goods manufactured agrees with the
a. balance of Finished Goods Inventory at the end of the period.
b. total debits to Work in Process Inventory during the period.
c. amount transferred from Work in Process Inventory to Finished Goods Inventory during the period.
d. debits to Cost of Goods Sold during the period.

Ans: C, LO: 45 Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

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116. Gannon Company had the following information at December 31:

Finished goods inventory, January 1	$ 50,000
Finished goods inventory, December 31	150,000

If the cost of goods manufactured during the year amounted to $2,200,000 and annual sales were $2,750,000, the amount of gross profit for the year is
a. $550,000.
b. $2,100,000.
c. $650,000.
d. $450,000.

Ans: C, LO: 5 Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting
Solution: $50,000 + $2,200,000 – $150,000 = $2,100,000; $2,750,000 – $2,100,000 = $650,000
(Beginning finished goods inventory + Cost of goods manufactured – Ending finished goods inventory = Cost of goods sold; Sales – Cost of goods sold = Gross profit)

117. Haight Company incurred direct materials costs of $2,500,000 during the year. Manufacturing overhead applied was $450,000 and is applied at the rate of 60% of direct labor costs. Haight Company's total manufacturing costs for the year was
a. $3,700,000.
b. $3,220,000.
c. $2,950,000.
d. $4,720,000.

Ans: A, LO: 4, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting
Solution: $450,000 ÷ 60% = $750,000; $2,500,000 + $750,000 + $450,000 = $3,700,000
(Manufacturing overhead ÷ Overhead rate = Direct labor cost; Direct materials + Direct labor + Manufacturing overhead applied = Total manufacturing costs)

118. Greer Company developed the following data for the current year:

Beginning Work in Process Inventory	$136,000
Direct materials used	208,000
Actual overhead	176,000
Overhead applied	184,000
Cost of goods manufactured	900,000
Total manufacturing costs	856,000

What is Greer Company's direct labor cost for the year?
a. $508,000
b. $600,000
c. $464,000
d. $472,000

Ans: C, LO: 4, Bloom: AP, Difficulty: Hard, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics
Solution: $208,000 + X + $184,000 = $856,000; X = $464,000
(Direct materials + Direct labor + Manufacturing overhead applied = Total manufacturing cost of job)

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119. Greer Company developed the following data for the current year:

Beginning Work in Process inventory	$136,000
Direct materials used	208,000
Actual overhead	176,000
Overhead applied	184,000
Cost of goods manufactured	900,000
Total manufacturing costs	856,000

What is Greer Company's ending Work in Process Inventory for the year?
a. $92,000
b. $484,000
c. $84,000
d. $372,000

Ans: A, LO: 4, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting
Solution: $136,000 + $856,000 – X = $900,000; X = $92,000
(Beginning Work in Process inventory + Total manufacturing costs – Ending Work in Process inventory = Cost of goods manufactured)

120. Chomelar Manufacturing Company developed the following data:

Beginning Work in Process inventory	$ 120,000
Direct materials used	720,000
Actual overhead	840,000
Overhead applied	810,000
Cost of goods manufactured	1,920,000
Ending Work in Process inventory	90,000

What are total manufacturing costs for the period?
a. $2,370,000
b. $1,890,000
c. $1,650,000
d. $1,830,000

Ans: B, LO: 5 Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics
Solution: $120,000 + X – $90,000 = $1,920,000; X = $1,890,000
(Beginning Work in Process inventory + Total manufacturing costs – Ending Work in Process inventory = Cost of goods manufactured)

121. Barger Company had the following information at December 31:

Finished goods inventory, January 1	$ 90,000
Finished goods inventory, December 31	126,000

If the cost of goods manufactured during the year totaled $1,895,000 and annual sales were $2,994,000, what is the company's gross profit for the year?
a. $1,099,000
b. $1,063,000
c. $1,859,000
d. $1,135,000

Ans: D, LO: 5 Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting
Solution: $90,000 + $1,895,000 – $126,000 = $1,859,000; $2,994,000 – $1,859,000 = $1,135,000
(Beginning finished goods inventory + Cost of goods manufactured – Ending finished goods inventory = Cost of goods sold; Sales – Cost of goods sold = Gross profit)

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122. Emley Company incurred direct materials cost of $750,000 during the year. Manufacturing overhead applied was $700,000 and is applied based on direct labor costs. The predetermined overhead rate is 70%. What are Emley Company's total manufacturing costs for the year?
   a. $1,940,000
   b. $1,750,000
   c. $1,450,000
   d. $2,450,000

Ans: D, LO: 5 Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting
Solution: $700,000 ÷ 70% = $1,000,000; $750,000 + $1,000,000 + $700,000 = $2,450,000
(Manufacturing overhead ÷ Overhead rate = Direct labor cost; Direct materials + Direct labor + Manufacturing overhead applied = Total manufacturing costs)

123. During 2022, Durham Manufacturing expected Job No. 51 to incur $300,000 of overhead, $500,000 of direct materials, and $200,000 in direct labor. Durham applied overhead based on direct labor cost. Actual production required overhead cost of $295,000, $570,000 in direct materials used, and $220,000 in direct labor. All of the goods were completed. What amount was transferred to Finished Goods Inventory?
   a. $1,090,000
   b. $1,120,000
   c. $1,000,000
   d. $1,085,000

Ans: B, LO: 5 Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: FSA
Solution: $300,000 ÷ $200,000 = 150%; $570,000 + $220,000 + ($220,000 x 150%) = $1,120,000
[Estimated overhead ÷ Estimated direct labor cost = Predetermined overhead rate; Direct material + Direct labor + (Direct labor x Predetermined overhead rate) = Amount transferred to finished goods]

124. During 2022, Cotte Manufacturing expected Job No. 59 to incur $300,000 of overhead cost, $500,000 of direct materials cost, and $200,000 in direct labor cost. Cotte applied overhead based on direct labor cost. Actual production required overhead cost of $295,000, $570,000 in direct materials used, and $220,000 in direct labor. All of the goods were completed. What is the amount of over- or underapplied overhead?
   a. $5,000 underapplied
   b. $5,000 overapplied
   c. $35,000 underapplied
   d. $35,000 overapplied

Ans: D, LO: 5, Bloom: AP, Difficulty: Hard, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics
Solution: $300,000 ÷ $200,000 = 150%; $220,000 x 150% = $330,000; $330,000 – $295,000 = $35,000 overapplied
(Estimated overhead ÷ Estimated direct labor cost = Predetermined overhead rate; Direct labor x Predetermined overhead rate = Overhead applied; Overhead applied – Actual overhead = Under/overapplied overhead)

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125. Kimble Company applies overhead on the basis of machine hours. Given the following data, what is the overhead applied and the under- or overapplication of overhead for the period?

Estimated annual overhead cost	$1,600,000
Actual annual overhead cost	$1,575,000
Estimated machine hours	400,000
Actual machine hours	390,000

a. $1,560,000 applied and $15,000 overapplied
b. $1,600,000 applied and $15,000 overapplied
c. $1,560,000 applied and $15,000 underapplied
d. $1,575,000 applied and neither under-nor overapplied

Ans: C, LO: 5, Bloom: AP, Difficulty: Hard, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics
Solution: $1,600,000 ÷ 400,000 = $4/machine hour; 390,000 x $4 = $1,560,000; $1,560,000 – $1,575,000 = $15,000 underapplied
(Estimated overhead ÷ Estimated machine hours = Predetermined overhead rate; Actual machine hours x Predetermined overhead rate = Overhead applied; Overhead applied – Actual overhead = Under/overapplied overhead)

126. Barnes Company applies overhead on the basis of machine hours. Given the following data, what is the overhead applied and the under- or overapplication of overhead for the period?

Estimated annual overhead cost	$3,000,000
Actual annual overhead cost	$2,970,000
Estimated machine hours	300,000
Actual machine hours	295,000

a. $2,950,000 applied and $20,000 overapplied
b. $3,000,000 applied and $20,000 overapplied
c. $2,950,000 applied and $20,000 underapplied
d. $2,970,000 applied and neither under- nor overapplied

Ans: C, LO: 5, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics
Solution: $3,000,000 ÷ 300,000 = $10/machine hour; 295,000 x $10 = $2,950,000; $2,950,000 – $2,970,000 = $20000 underapplied
(Estimated overhead ÷ Estimated machine hours = Predetermined overhead rate; Actual machine hours x Predetermined overhead rate = Overhead applied; Overhead applied – Actual overhead = Under/overapplied overhead)

127. A company assigned overhead to Work in Process Inventory. At year end, what does it mean if overhead is overapplied?
a. The overhead assigned to Work in Process Inventory is greater than the estimated overhead costs.
b. The overhead assigned to Work in Process Inventory is less than the estimated overhead costs.
c. The overhead assigned to Work in Process Inventory is less than the actual overhead.
d. The overhead assigned to Work in Process Inventory is greater than the overhead incurred.

Ans: D, LO: 5, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

128. If the Manufacturing Overhead account has a debit balance at the end of a period, it means that
a. actual overhead costs were less than overhead costs applied to jobs.
b. actual overhead costs were greater than overhead costs applied to jobs.
c. actual overhead costs were equal to overhead costs applied to jobs.
d. no jobs have been completed.

Ans: B, LO: 5, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

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129. If the manufacturing overhead cost applied to jobs is greater than the actual manufacturing costs incurred during a period, overhead is said to be
   a. underapplied.
   b. overapplied.
   c. in error.
   d. prepaid.

Ans: B, LO: 5, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

130. At the end of the year, any balance in the Manufacturing Overhead account is generally eliminated by adjusting
   a. Work in Process Inventory.
   b. Finished Goods Inventory.
   c. Cost of Goods Sold.
   d. Raw Materials Inventory.

Ans: C, LO: 5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

131. If Manufacturing Overhead has a credit balance at the end of the period, then
   a. overhead has been underapplied.
   b. the overhead assigned to Work in Process Inventory is less than the overhead incurred.
   c. overhead has been overapplied.
   d. management must take corrective action.

Ans: C, LO: 5, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

132. The Manufacturing Overhead account shows debits of $30,000, $24,000, and $28,000 and a credit for $86,000. Based on this information, manufacturing overhead
   a. has been overapplied.
   b. has been underapplied.
   c. has not been applied.
   d. shows a zero balance.

Ans: A, LO: 5, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: FSA
Solution: ($30,000 + $24,000 + $28,000) = $82,000 debit balance (actual) - $86,000 credit balance (applied) = $4,000 overapplied manufacturing overhead.
Account debits – Account credits = overapplied debit balance

133. If Manufacturing Overhead has a debit balance at the end of the period, then
   a. overhead has been underapplied.
   b. the overhead assigned to Work in Process Inventory is more than the overhead incurred.
   c. overhead has been overapplied.
   d. management must take corrective action.

Ans: A, LO: 5, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

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134. If actual manufacturing is greater than applied manufacturing overhead, then manufacturing overhead is
   a. underapplied.
   b. overapplied.
   c. a loss on the income statement under "Other Expenses and Losses."
   d. considered a miscellaneous expense.

Ans: A, LO: 5, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

135. If actual overhead is less than applied manufacturing overhead, then manufacturing overhead is
   a. underapplied.
   b. overapplied.
   c. a loss on the income statement under "Other Expenses and Losses."
   d. considered a miscellaneous expense.

Ans: B, LO: 5, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

136. If manufacturing overhead has been underapplied during the year, the adjusting entry at the end of the year will generally include a
   a. debit to Manufacturing Overhead.
   b. credit to Cost of Goods Sold.
   c. debit to Work in Process Inventory.
   d. debit to Cost of Goods Sold.

Ans: D, LO: 5, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

137. If manufacturing overhead has been overapplied during the year, the adjusting entry at the end of the year will include a
   a. debit to Manufacturing Overhead.
   b. credit to Finished Goods Inventory
   c. debit to Cost of Goods Sold.
   d. credit to Work in Process Inventory.

Ans: A, LO: 5, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

138. The existence of under- or overapplied overhead at the end of the year usually
   a. requires an adjustment to Cost of Goods Sold.
   b. indicates that an error has been made.
   c. requires a retroactive adjustment to the cost of all jobs completed.
   d. is written off as a bad estimate expense.

Ans: A, LO: 5, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

139. Conceptually, any under- or overapplied overhead at the end of the year should be allocated among all of the following accounts **except**
   a. Cost of Goods Sold.
   b. Work in Process Inventory.
   c. Raw Materials Inventory.
   d. Finished Goods Inventory.

Ans: C, LO: 5, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

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140. If manufacturing overhead has been overapplied at the end of the year, it means that
   a. actual overhead costs were greater than the overhead assigned to jobs.
   b. actual overhead costs were less than the overhead assigned to jobs.
   c. overhead has not been applied to jobs still in process.
   d. cost of goods will have to be increased by the amount of the overapplied overhead.

Ans: B, LO: 5, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

141. A process cost system would be used for all of the following **except** the
   a. manufacture of energy bars.
   b. refining of petroleum.
   c. production of custom skateboards.
   d. production of microphones.

Ans: C, LO: 1, Bloom: C, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Reporting, AICPA PC: None, IMA: Business Applications

142. In a job order cost system, the purchase of raw materials is recorded with a debit to
   a. Work in Process Inventory.
   b. Work in Process Inventory and Manufacturing Overhead.
   c. Raw Materials Inventory.
   d. Finished Goods Inventory.

Ans: C, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

143. In a manufacturing company, the cost of factory labor includes all of the following costs **except**
   a. employer payroll taxes.
   b. employee benefits incurred by the employer.
   c. net earnings of factory workers.
   d. gross earnings of factory workers.

Ans: C, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

144. When direct labor costs are assigned to jobs, _____ is debited and _____ is credited. ,
   a. Work in Process Inventory; Salaries and Wages Payable
   b. Work in Process Inventory; Factory Labor
   c. Manufacturing Overhead; Factory Labor
   d. Factory Labor; Manufacturing Overhead

Ans: B, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

145. When the company assigns factory labor costs to jobs, direct labor cost is debited to
   a. Direct Labor.
   b. Factory Labor.
   c. Manufacturing Overhead.
   d. Work in Process Inventory.

Ans: D, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

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146. Jinnah Company applies overhead on the basis of 200% of direct labor cost. Job No. 501 is charged with $240,000 of direct materials cost and $320,000 of manufacturing overhead. The total manufacturing cost for Job No. 501 is
   a. $560,000.
   b. $880,000.
   c. $720,000.
   d. $800,000.

Ans: C, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting
Solution: $320,000 ÷ 200% = $160,000; $240,000 + $160,000 + $320,000 = $720,000
(Manufacturing overhead ÷ Overhead rate = Direct labor cost; Direct materials + Direct labor + Manufacturing overhead applied = Total manufacturing cost of job)

147. Companies assign manufacturing overhead to Work in Process Inventory on an estimated basis through the use of a(n)
   a. actual overhead rate.
   b. estimated overhead rate.
   c. assigned overhead rate.
   d. predetermined overhead rate.

Ans: D, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

148. Overapplied manufacturing overhead exists when overhead assigned to Work in Process Inventory is
   a. more than overhead incurred and there is a debit balance in Manufacturing Overhead at the end of a period.
   b. less than overhead incurred and there is a debit balance in Manufacturing Overhead at the end of a period.
   c. more than overhead incurred and there is a credit balance in Manufacturing Overhead at the end of a period.
   d. less than overhead incurred and there is a credit balance in Manufacturing Overhead at the end of a period.

Ans: C, LO: 5, Bloom: C, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

149. Usually, under- or overapplied overhead is eliminated with an adjustment to
   a. Work in Process Inventory.
   b. Finished Goods Inventory.
   c. Finished Goods Inventory and Cost of Goods Sold.
   d. Cost of Goods Sold.

Ans: D, LO: 5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

150. Which of the following statements about under- or overapplied manufacturing overhead is correct?
   a. After the entry to transfer over- or underapplied overhead to Cost of Goods Sold is posted, Manufacturing Overhead will have a zero balance.
   b. When Manufacturing Overhead has a credit balance, overhead is said to be under-applied.
   c. At the end of the year, under- or overapplied overhead is eliminated by a closing entry.
   d. When year-end financial statements are prepared, overapplied overhead is reported in current liabilities.

Ans: A, LO: 5, Bloom: K, Difficulty: Moderate, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

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BRIEF EXERCISES

BE 151

During the first year of operations, Shapiro Tool accumulated the following manufacturing costs:

Raw materials purchased on account	$12,000
Factory labor incurred	6,000
Manufacturing overhead incurred on account	4,000

Instructions
Prepare separate journal entries for each manufacturing cost.

Ans: N/A, LO: 1, Bloom: AP, Difficulty: Moderate, Min: 4, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: FSA

Solution 151 (4 min.)

Raw Materials Inventory	12,000	
Accounts Payable		12,000
Factory Labor	6,000	
Payroll Liabilities		6,000
Manufacturing Overhead	4,000	
Accounts Payable		4,000

BE 152

In January, the production supervisor for Harlan, Inc. requisitioned raw materials for production as follows: Job 1 $700, Job 2 $900, Job 3 $400, and general factory use, $520.

Instructions
Prepare a summary journal entry to record raw materials used.

Ans: N/A, LO: 1, Bloom: AP, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: FSA

Solution 152 (2 min.)

Work in Process Inventory	2,000	
Manufacturing Overhead	520	
Raw Materials Inventory		2,520

BE 153

Lando Company reported the following amounts for 2022:

Raw materials purchased	$83,000	Ending Work in Process Inventory	$ 6,300
Beginning Raw Materials Inventory	5,200	Manufacturing overhead costs applied	36,000
Ending Raw Materials Inventory	4,500	Beginning Work in Process inventory	6,100

Instructions
Calculate the cost of materials used in production

Ans: N/A, LO: 2, Bloom: AP, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics

Solution 153 (2 min.)

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$5,200 + $83,000 – $4,500 = $83,700

BE 154

Builder Bug Company allocates overhead at the rate of $9 per direct labor hour. Job A45 required 4 boxes of direct materials at a cost of $30 per box and took employees 20 hours to complete. Employees earn $15 per hour.

Instructions
Compute the total cost of Job A45.

Ans: N/A, LO: 2, Bloom: AP, Difficulty: Moderate, Min: 4, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics

Solution 154 (4 min.)

Direct material (4 × $30)	$120
Direct labor (20 hours × $15)	300
Manufacturing overhead (20 hours × $9)	180
Total job cost	$600

BE 155

Colby Company estimates that annual manufacturing overhead costs will be $600,000. Estimated annual operating activity bases are: direct labor cost $460,000, direct labor hours 40,000 and machine hours 80,000. The actual manufacturing overhead cost for the year was $601,000 and the actual direct labor cost for the year was $456,000. Actual direct labor hours totaled 39,800 and machine hours totaled 79,000. Colby applies overhead based on direct labor hours.

Instructions
Compute the predetermined overhead rate and determine the amount of manufacturing overhead applied. Determine if overhead is over- or underapplied and the amount.

Ans: N/A, LO: 3, 5, Bloom: AP, Difficulty: Moderate, Min: 5, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics

Solution 155 (5 min.)

Predetermined Overhead Rate = $600,000 ÷ 40,000 = $15 per direct labor hour
Manufacturing Overhead Applied = $15 × 39,800 = $597,000
Underapplied = $597,000 - $601,000 = $4,000

BE 156

Martin Company applies manufacturing overhead based on direct labor hours. Information concerning manufacturing overhead and labor for the year is as follows:

Actual manufacturing overhead	$150,000
Estimated manufacturing overhead	$145,000
Direct labor hours incurred	4,800
Direct labor hours estimated	5,000

Instructions
Compute the predetermined overhead rate.

Ans: N/A, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics

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Solution 156 (2 min.)

$145,000 ÷ 5,000 = $29 per direct labor hour

BE 157

The manufacturing operations of Bryant, Inc. had the following balances for the month of January:

Inventories	January 1	January 31
Raw Materials	$12,000	$13,000
Work in Process	21,000	23,000
Finished Goods	14,000	16,000

Bryant transferred $290,000 of completed goods out of Work in Process Inventory during January.

Instructions
Compute the cost of goods sold.

Ans: N/A, LO: 4, Bloom: AP, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting

Solution 157 (2 min.)

$14,000 + $290,000 – $16,000 = $288,000

BE 158

The following amounts were reported by Burke Company before recording an adjustment for its immaterial overapplied manufacturing overhead of $8,000.

Raw Materials Inventory	$ 40,000
Finished Goods Inventory	60,000
Work in Process Inventory	100,000
Cost of Goods Sold	730,000

Instructions
Compute what amount Burke will report as Cost of Goods Sold after it eliminates the overapplied overhead.

Ans: N/A, LO: 5, Bloom: AP, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting

Solution 158 (2 min.)

$730,000 – $8,000 = $722,000

BE 159

During 2022, Arb Company incurred the following direct labor costs: January $20,000 and February $30,000. Arb uses a predetermined overhead rate of 120% of direct labor cost. Estimated overhead for the 2 months, respectively, totaled $19,500 and $35,700. Actual overhead for the 2 months, respectively, totaled $25,000 and $33,500.

Instructions
Determine if overhead is over- or underapplied for each of the two months and the respective amounts.

Ans: N/A, LO: 5, Bloom: AP, Difficulty: Moderate, Min: 4, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics

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Solution 159 (4 min.)

Overhead applied:
January: 120% × $20,000 = $24,000
February: 120% × $30,000 = $36,000

Over- or underapplied:
January: $24,000 – $25,000 = $1,000 underapplied
February: $36,000 – $33,500 = $2,500 overapplied

BE 160

At December 31, Ding Company reported the following balances in its accounts:

Cost of Goods Sold	$210,000
Finished Goods Inventory	30,000

The company's balance in its Manufacturing Overhead account at the same date was a debit of $2,800.

Instructions
Prepare the entry to adjust the over- or underapplied overhead amount at December 31.

Ans: N/A, LO: 5, Bloom: AP, Difficulty: Moderate, Min: 2, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: FSA

Solution 160 (2 min.)

Cost of Goods Sold	2,800	
Manufacturing Overhead		2,800

EXERCISES

Ex. 161

The manufacturing operations of Beatly, Inc. had the following inventory balances for the month of January:

	January 1	January 31
Raw Materials	$12,000	$13,000
Work in Process	21,000	23,000
Finished Goods	14,000	12,000

Beatly transferred $270,000 of completed goods out of Work in Process Inventory during January.

Instructions
Compute the cost of goods sold for January.

Ans: N/A, LO: 1, Bloom: AP, Difficulty: Moderate, Min: 3, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting

Solution 161 (3 min.)

$14,000 + $270,000 - $12,000 = $272,000

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Ex. 162

A selected list of accounts used by Cline Manufacturing Company follows:

Code		Code	
A	Cash	F	Accounts Payable
B	Accounts Receivable	G	Factory Labor
C	Raw Materials Inventory	H	Manufacturing Overhead
D	Work in Process Inventory	I	Cost of Goods Sold
E	Finished Goods Inventory	J	Sales Revenue

Cline Manufacturing Company uses a job order system and maintains perpetual inventory records.

Instructions

Place the appropriate code letter in the columns indicating the appropriate account(s) to be debited and credited for the transactions listed below.

Transactions	Account(s) Debited	Account(s) Credited
1. Raw materials were purchased on account.		
2. Issued a check to Dixon Machine Shop for repair work on factory equipment.		
3. Direct materials were requisitioned for Job 280.		
4. Factory labor was paid as incurred.		
5. Recognized direct labor and indirect labor used.		
6. The production department requisitioned indirect materials for use in the factory.		
7. Manufacturing overhead was applied to production based on a predetermined overhead rate of $8/ labor hour.		
8. Goods that were completed were transferred to finished goods inventory.		
9. Goods costing $80,000 were sold for $105,000 on account.		
10. Paid for raw materials purchased previously on account.		

Ans: N/A, LO: 1, 2, 3, Bloom: C, Difficulty: Moderate, Min: 10, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: FSA

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Solution 162 (10–15 min.)

Transactions	Account(s) Debited	Account(s) Credited
1. Raw materials were purchased on account.	C	F
2. Issued a check to Dixon Machine Shop for repair work on factory equipment.	H	A
3. Direct materials were requisitioned for Job 280	D	C
4. Factory labor was paid as incurred.	G	A
5. Recognized direct labor and indirect labor used	D, H	G
6. The production department requisitioned indirect materials for use in the factory.	H	C
7. Manufacturing overhead was applied to production based on a predetermined overhead rate of $8 per labor hour	D	H
8. Goods that were completed were transferred to finished goods inventory.	E	D
9. Goods costing $80,000 were sold for $105,000 on account.	B, I	J, E
10. Paid for raw materials purchased previously on account.	F	A

Ex. 163

Finn Manufacturing Company uses a job order cost system and keeps perpetual inventory records. Prepare journal entries to record the following transactions during the month of June.

June 1 Purchased raw materials for $20,000 on account.

8 Raw materials requisitioned by production:

Direct materials	$8,000
Indirect materials	1,000

15 Paid factory utilities, $2,100 and repairs for factory equipment, $8,000.

25 Incurred $108,000 of factory labor.

25 Time tickets indicated the following:

Direct labor	(7,000 hrs. × $12 per hr.)	=	$ 84,000
Indirect labor	(3,000 hrs. × $8 per hr.)	=	24,000
			$108,000

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Ex. 163 (Cont.)

25 Applied manufacturing overhead to production based on a predetermined overhead rate of $7 per direct labor hour worked.

28 Goods costing $18,000 were completed in the factory and were transferred to finished goods inventory.

30 Goods costing $15,000 were sold for $20,000 on account.

Ans: N/A, LO: 1, 2, 3, Bloom: AP, Difficulty: Moderate, Min: 16, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: FSA

Solution 163 (16–23 min.)

June 1	Raw Materials Inventory	20,000	
	Accounts Payable		20,000
	(Purchase of raw materials on account)		
8	Work in Process Inventory	8,000	
	Manufacturing Overhead	1,000	
	Raw Materials Inventory		9,000
	(To assign materials to jobs and overhead)		
15	Manufacturing Overhead	10,100	
	Cash		10,100
	(To record payment of factory utilities and repairs)		
25	Factory Labor	108,000	
	Payroll Liabilities		108,000
	(To record factory labor costs)		
25	Work in Process Inventory	84,000	
	Manufacturing Overhead	24,000	
	Factory Labor		108,000
	(To assign factory labor to jobs and overhead)		
25	Work in Process Inventory	49,000	
	Manufacturing Overhead		49,000
	(To apply overhead to jobs)		
28	Finished Goods Inventory	18,000	
	Work in Process Inventory		18,000
	(To record completion of production)		
30	Accounts Receivable	20,000	
	Cost of Goods Sold	15,000	
	Sales Revenue		20,000
	Finished Goods Inventory		15,000
	(To record sales of finished goods inventory and its cost)		

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Ex. 164

Selected accounts of Kosar Manufacturing Company at year end appear below:

RAW MATERIALS INVENTORY			
(a)	40,000	(d)	25,000

WORK IN PROCESS INVENTORY			
(d)	25,000	(g)	140,000
(e)	80,000		
(f)	100,000		

FINISHED GOODS INVENTORY			
(g)	140,000	(h)	120,000

COST OF GOODS SOLD	
(h)	120,000

FACTORY LABOR			
(b)	110,000	(e)	110,000

MANUFACTURING OVERHEAD			
(c)	75,000	(f)	100,000
(e)	30,000		

Instructions

Explain the probable transaction that took place for each of the items identified by letters in the accounts. For example:

(a) Raw materials costing $40,000 were purchased.

Ans: N/A, LO: 1, 2, 3, Bloom: C, Difficulty: Hard, Min: 9, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: FSA

Solution 164 (9–14 min.)

(a) Raw materials costing $40,000 were purchased.
(b) Factory labor costs incurred amounted to $110,000.
(c) Actual manufacturing overhead costs incurred were $75,000.
(d) Direct materials requisitioned for production amounted to $25,000.
(e) Factory labor used consisted of:

Direct labor	$80,000
Indirect labor	30,000

(f) Manufacturing overhead applied to production was $100,000.
(g) Completed goods costing $140,000 were transferred to finished goods inventory.
(h) Finished goods inventory costing $120,000 were sold.

Ex. 165

Sardin Company begins the month of March with $17,000 of Work in Process Inventory from Job 324. Information from job cost sheets shows the following additional costs assigned during March, April, and May of 2022:

	Manufacturing Costs Assigned		
Job No.	March	April	May
324	$26,000		
325	20,000	$28,000	$15,000
326	41,000	11,000	
327		16,000	39,000
328		34,000	51,000

Job 324 was completed in March. Jobs 325 and 327 were completed in May, and Job 326 was completed in April. Jobs are sold during the month after completion. Total revenue for jobs sold during the 3-month period is $145,000.

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Ex. 165 (Cont.)

Instructions
Calculate the balances of the Work in Process Inventory and Finished Goods Inventory accounts at the end of May.

Ans: N/A, LO: 1, 2, Bloom: AP, Difficulty: Moderate, Min: 5, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Business Economics

Solution 165 (5–6 min.)

Work in Process Inventory
Job 328 $34,000 + $51,000 = $85,000

Finished Goods Inventory

Job 325	$20,000 + $28,000 + $15,000 =	$63,000
Job 327	$16,000 + $39,000 =	55,000
		$118,000

Ex. 166

The gross earnings of factory workers for Dinkel Company during the month of January are $400,000. The employer's payroll taxes for the factory payroll are $80,000. Of the total accumulated cost of factory labor, 75% is related to direct labor and 25% is attributable to indirect labor.

Instructions
(a) Prepare the entry to record the factory labor costs for the month of January.
(b) Prepare the entry to assign factory labor to production.
(c) Prepare the entry to assign manufacturing overhead to production, assuming the predetermined overhead rate is 125% of direct labor cost.

Ans: N/A, LO: 1, 2, 3, 4, Bloom: AP, Difficulty: Moderate, Min: 8, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: FSA

Solution 166 (8–12 min.)

(a)	Factory Labor	480,000	
	Payroll Liabilities		480,000
(b)	Work in Process Inventory	360,000	
	Manufacturing Overhead	120,000	
	Factory Labor		480,000
	($480,000 × 75% = $360,000)		
(c)	Work in Process Inventory	450,000	
	Manufacturing Overhead		450,000
	($360,000 × 125% = $450,000)		

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Ex. 167

Foster Manufacturing uses a job order cost system. On April 1, the company has Work in Process Inventory of $7,600 and two jobs in process: Job No. 221, $3,600, and Job No. 222, $4,000. During April, a summary of source documents reveals the following:

For	Materials Requisition Slips	Labor Time Tickets
Job No. 221	$1,200	$2,100
222	1,700	2,200
223	2,400	2,900
224	2,600	2,800
General use	600	400
Totals	$8,500	$10,400

Foster applies manufacturing overhead to jobs at an overhead rate of 70% of direct labor cost. Job No. 221 is completed during the month.

Instructions

(a) Prepare summary journal entries to record the raw materials requisitioned, factory labor used, the assignment of manufacturing overhead to jobs, and the completion of Job No. 221.

(b) Calculate the balance of the Work in Process Inventory account at April 30.

Ans: N/A, LO: 1, 2, 3, 4, Bloom: AP, Difficulty: Moderate, Min: 10, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: FSA

Solution 167 (10–15 min.)

(a)	April 30	Work in Process Inventory	7,900	
		Manufacturing Overhead	600	
		Raw Materials Inventory		8,500
		Work in Process Inventory	10,000	
		Manufacturing Overhead	400	
		Factory Labor		10,400
		Work in Process Inventory	7,000	
		Manufacturing Overhead		7,000
		($10,000 × 70% = $70,000)		
		Finished Goods Inventory	8,370	
		Work in Process Inventory		8,370
		($3,600 + $1,200 + $2,100 + $1,470 = $8,370)		

(b) Work in Process Inventory, April 30 = $24,130

Job No. 222	$9,440	($4,000 + $1,700 + $2,200 + $1,540)
Job No. 223	7,330	($2,400 + $2,900 + $2,030)
Job No. 224	7,360	($2,600 + $2,800 + $1,960)
	$24,130	

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Ex. 168

Manufacturing cost data for Dolan Company, which uses a job order cost system, are presented below:

	Case A	Case B
Direct Materials Used	(a)	$103,000
Direct Labor	$ 70,000	150,000
Manufacturing Overhead Applied	63,000	(d)
Total Manufacturing Costs	240,000	(e)
Work in Process Inventory, 1/1/22 (b)	45,000	
Total Cost of Work in Process	300,000	(f)
Work in Process Inventory, 12/31/22 (c)	40,000	
Cost of Goods Manufactured	205,000	(g)

Instructions
Indicate the missing amount for each letter. Assume that overhead is applied on the basis of direct labor cost and that the rate is the same for both cases.

Ans: N/A, LO: 1, 2, 3, 4, Bloom: AN, Difficulty: Hard, Min: 9, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics

Solution 168 (9–12 min.)

Case A

(a) + $70,000 + $63,000 = $240,000
(a) = $107,000

$240,000 + (b) = $300,000
(b) = $60,000

$300,000 – (c) = $205,000
(c) = $95,000

Case B [Note that the overhead rate from Case A is 90% ($63,000 ÷ $70,000)]

$150,000 × 90% = (d)
(d) = $135,000

$103,000 + $150,000 + $135,000 = (e)
(e) = $388,000

$388,000 + $45,000 = (f)
(f) = $433,000

$433,000 – $40,000 = (g)
(g) = $393,000

Ex. 169

Fort Corporation had the following transactions during its first month of operations:

1. Purchased raw materials on account, $85,000.
2. Raw materials of $30,000 were requisitioned to the factory. An analysis of the materials requisition slips indicated that $6,000 was classified as indirect materials.
3. Factory labor costs incurred were $175,000 of which $145,000 pertained to factory wages payable and $30,000 pertained to employer payroll taxes payable.
4. Time tickets indicated that $145,000 was direct labor and $30,000 was indirect labor.
5. Overhead costs incurred on account were $198,000.
6. Manufacturing overhead was applied at the rate of 150% of direct labor cost.
7. Goods costing $115,000 are still incomplete at the end of the month; the other goods were completed and transferred to Finished Goods Inventory.
8. Finished Goods Inventory with a cost of $100,000 was sold on account for $130,000.

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Ex. 169 (Cont.)

Instructions
Journalize the above transactions for Fort Corporation.

Ans: N/A, LO: 1, 2, 3, 4, Bloom: AP, Difficulty: Moderate, Min: 12, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: FSA

Solution 169 (12–17 min.)

1.	Raw Materials Inventory	85,000	
	Accounts Payable		85,000
2.	Work in Process Inventory	24,000	
	Manufacturing Overhead	6,000	
	Raw Materials Inventory		30,000
3.	Factory Labor	175,000	
	Payroll Liabilities		175,000
4.	Work in Process Inventory	145,000	
	Manufacturing Overhead	30,000	
	Factory Labor		175,000
5.	Manufacturing Overhead	198,000	
	Accounts Payable		198,000
6.	Work in Process Inventory	217,500	
	Manufacturing Overhead		217,500
	($145,000 × 150% = $217,500)		
7.	Finished Goods Inventory	271,500	
	Work in Process Inventory		271,500
	($24,000 + $145,000 + $217,500 = $386,500)		
	($386,500 – $115,000 = $271,500)		
8.	Accounts Receivable	130,000	
	Sales Revenue		130,000
	Cost of Goods Sold	100,000	
	Finished Goods Inventory		100,000

Ex. 170

Lando Company reported the following amounts for 2022:

Raw materials purchased	$85,000
Beginning raw materials inventory	5,200
Ending raw materials inventory	4,500
Beginning finished goods inventory	7,600
Ending finished goods inventory	8,000
Direct labor used	20,000
Manufacturing overhead costs applied	30,000
Beginning work in process inventory	6,100
Ending work in process inventory	6,300

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Ex. 170 (Cont.)

Instructions

Calculate (a) the cost of materials used in production and (b) total manufacturing costs.

Ans: N/A, LO: 1, 2, Bloom: AP, Difficulty: Moderate, Min: 4, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Business Economics

Solution 170 (4 min.)

(a) Cost of materials used in production: $5,200 + $85,000 – $4,500 = $85,700

(b) Total manufacturing costs: $85,700 + $20,000 + $30,000 = $135,700

Ex. 171

A job cost sheet of Fugate Company is given below.

Job Cost Sheet

JOB NO. 172 Quantity 1,500

FOR James Company Date Completed 5/31

Date	Direct Materials	Direct Labor	Manufacturing Overhead
5/10	1,330		
12	1,120		
15		550	825
22		480	720
24	1,000		
27	1,870		
31		670	1,005

Cost of completed job:

Direct materials _____

Direct labor _____

Manufacturing Overhead _____

Total cost _____

Unit cost _____

Instructions

(a) Answer the following questions.

(1) What is the predetermined manufacturing overhead rate?

(2) What are the total cost and the unit cost of the completed job?

(b) Prepare the entry to record the completion of the job.

Ans: N/A, LO: 1, 2, 3, 4, Bloom: AP, Difficulty: Moderate, Min: 8, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics

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Solution 171 (8 min.)

(a)

(1) The predetermined overhead rate is 150% of direct labor cost. For example, on May 15, the computation is $825 ÷ $550 = 150%. The same result is obtained on May 22 and 31.

(2) The total cost is:

Direct material	$5,320
Direct labor	1,700
Manufacturing overhead	2,550
	$9,570

The unit cost is $6.38 ($9,570 ÷ 1,500)

(b)	May 31	Finished Goods Inventory	9,570	
		Work in Process Inventory		9,570

Ex. 172

At May 31, 2022, the accounts of Kuhlmann Manufacturing Company show the following.

1. May 1 inventories—finished goods $12,600, work in process $14,700, and raw materials $8,200.
2. May 31 inventories—finished goods $8,500, work in process $22,900, and raw materials $7,100.
3. Debit postings to Work in Process Inventory were: direct materials $77,400, direct labor $50,000, and manufacturing overhead applied $45,000.
4. Sales totaled $225,000.

Instructions

(a) Prepare a condensed cost of goods manufactured schedule.
(b) Prepare an income statement for May through gross profit.

Ans: N/A, LO: 1, 4 Bloom: AP, Difficulty: Moderate, Min: 10, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting

Solution 172 (10 min.)

(a)

KUHLMANN MANUFACTURING COMPANY
Cost of Goods Manufactured Schedule
For the Month Ended May 31, 2022

Work in Process inventory, May 1		$ 14,700
Direct materials used	$77,400	
Direct labor	50,000	
Manufacturing overhead applied	45,000	
Total manufacturing costs		172,400
Total cost of Work in Process		187,100
Less: Work in Process inventory, May 31		22,900
Cost of goods manufactured		$164,200

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Solution 172 (Cont.)

(b)

KUHLMANN MANUFACTURING COMPANY
(Partial) Income Statement
For the Month Ended May 31, 2022

Sales revenue		$225,000
Cost of goods sold		
Finished goods inventory, May 1	$ 12,600	
Cost of goods manufactured	164,200	
Cost of goods available for sale	176,800	
Less: Finished goods inventory, May 31	8,500	
Cost of goods sold		168,300
Gross profit		$56,700

Ex. 173

Watson Manufacturing Company employs a job order cost system and keeps perpetual inventory records. The following transactions occurred in the first month of operations:

1. Direct materials requisitioned during the month:

Job 101	$20,000
Job 102	16,000
Job 103	24,000
	$60,000

2. Direct labor incurred and charged to jobs during the month was:

Job 101	$32,000
Job 102	28,000
Job 103	20,000
	$80,000

3. Manufacturing overhead was applied to jobs using a predetermined overhead rate based on 75% of direct labor costs.

4. Actual manufacturing overhead costs incurred during the month amounted to $66,000.

5. Job 101 consisting of 1,000 units and Job 103 consisting of 200 units were completed during the month.

Instructions

(a) Prepare journal entries to record the above transactions.
(b) Answer the following questions:
   1. How much manufacturing overhead was applied to Job 103 during the month?
   2. What is the unit cost of Jobs 101 and 103?
   3. What is the balance in Work in Process Inventory at the end of the month?
   4. By what amount was manufacturing overhead was under- or overapplied during the month?

Ans: N/A, LO: 1, 2, 3, 4, 5, Bloom: AP, Difficulty: Moderate, Min: 15, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: FSA

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Solution 173 (15–20 min.)

(a)	1.	Work in Process Inventory	60,000	
		Raw Materials Inventory		60,000
	2.	Work in Process Inventory	80,000	
		Factory Labor		80,000
	3.	Work in Process Inventory	60,000	
		Manufacturing Overhead		60,000
	4.	Manufacturing Overhead	66,000	
		Cash, Payables, etc.		66,000
	5.	Finished Goods Inventory	135,000	
		Work in Process Inventory		135,000
		[Job 101 $76,000; Job 103 $59,000—see (b) 2]		

(b) 1. $15,000 ($20,000 × 75%).

2. Unit cost: Job 101, $76; Job 103, $295.

	Job 101	Job 103
Direct materials	$20,000	$24,000
Direct labor	32,000	20,000
Overhead applied	24,000	15,000
Total cost	76,000	59,000
Units	÷ 1,000	÷ 200
Unit cost	$76	$295

3. Work in Process Inventory is $65,000 and consists of work performed on Job 102.

	Job 102
Direct materials	$16,000
Direct labor	28,000
Overhead applied	21,000
Total cost	$65,000

4. Manufacturing overhead costs were underapplied by $6,000 during the month.

Actual manufacturing overhead	$66,000
Manufacturing overhead applied	60,000
Underapplied overhead	$ 6,000

Ex. 174

Graham Manufacturing is a small manufacturer that uses machine hours as its activity base for assigning overhead costs to jobs. The company estimated the following amounts for 2022 for the company and for Job 62:

	Company	Job 62
Direct materials	$60,000	$4,500
Direct labor	$25,000	$2,500
Manufacturing overhead costs	$72,000	
Machine hours	90,000	1,350

During 2022, the actual machine hours totaled 95,000, and actual overhead costs were $71,000.

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Ex. 174 (Cont.)

Instructions

(a) Compute the predetermined overhead rate.
(b) Compute the total manufacturing costs for Job 62.
(c) How much overhead is over or underapplied for the year for the company? State amount and whether it is over- or underapplied.
(d) If Graham Manufacturing sells Job 62 for $14,000, compute the gross profit.

Ans: N/A, LO: 1,2,5, Bloom: AP, Difficulty: Moderate, Min: 7, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics

Solution 174 (7–9 min.)

(a) $72,000 ÷ 90,000 = $0.80 per machine hour
(b) $4,500 + $2,500 + ($0.80 × 1,350) = $8,080
(c) Actual – Applied = Over/Underapplied
$71,000 – ($0.80 × 95,000) = $5,000 overapplied
(d) $14,000 – $8,080 (from (b) above) = $5,920

Ex. 175

The following inventory information is available for Ricci Manufacturing Corporation for the year ended December 31, 2022:

	Beginning	Ending
Inventories:		
Raw materials	$17,000	$19,000
Work in Process	9,000	14,000
Finished goods	11,000	8,000
Total	$37,000	$41,000

In addition, the following transactions occurred in 2022:

1. Raw materials purchased on account, $75,000.
2. Incurred factory labor, $80,000, all is direct labor.
3. Incurred the following overhead costs during the year: utilities $6,800, depreciation on manufacturing machinery $8,000, manufacturing machinery repairs $9,200, factory insurance $9,000 (Credit Accounts Payable and Accumulated Depreciation).
4. Assigned $80,000 of factory labor to jobs.
5. Applied $36,000 of overhead to jobs.

Instructions

(a) Journalize the above transactions.
(b) From an analysis of the accounts, compute the following:
    1. Raw materials used.
    2. Completed jobs transferred to finished goods inventory.
    3. Cost of goods sold.
    4. Under- or overapplied overhead.

Ans: N/A, LO: 1, 2, 3, 4, 5, Bloom: AP, Difficulty: Moderate, Min: 16, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: FSA

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Solution 175 (16–22 min.)

(a)	1.	Raw Materials Inventory	75,000	
		Accounts Payable		75,000
	2.	Factory Labor	80,000	
		Payroll Liabilities		80,000
	3.	Manufacturing Overhead	33,000	
		Accounts Payable		25,000
		Accumulated Depreciation		8,000
	4.	Work in Process Inventory	80,000	
		Factory Labor		80,000
	5.	Work in Process Inventory	36,000	
		Manufacturing Overhead		36,000

(b) 1. Raw materials used = $17,000 + $75,000 – $19,000 = $73,000.

2. Completed jobs transferred to finished goods inventory = W/P debits $9,000 + $73,000 + $116,000 – $14,000 = $184,000.

3. Cost of goods sold = $11,000 + $184,000 – $8,000 = $187,000.

4. Overhead overapplied = $3,000 (credit balance in Manufacturing Overhead).

Ex. 176

Builder Bug Company allocates manufacturing overhead at $9 per direct labor hour. Job A45 required 4 boxes of direct materials at a cost of $30 per box and took employees 14 hours to complete. Employees earn $15 per hour.

Instructions
Compute the total cost of Job A45.

Ans: N/A, LO: 2, Bloom: AP, Difficulty: Moderate, Min: 5, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics

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Solution 176 (5 min.)

Direct materials (4 boxes × $30)	$120
Direct labor (14 hours × $15)	210
Manufacturing overhead (14 hours × $9)	126
Total job cost of Job A45	$456

Ex. 177

Job cost sheets for Howard Manufacturing are as follows:

Job No 210 Quantity 1,500

Date	Direct Materials	Direct Labor	Manufacturing Overhead
July 1	9,000	8,000	12,000
8	8,500		
10		10,000	
15	5,500		
25		20,000	

Job No 211 Quantity 1,200

Date	Direct Materials	Direct Labor	Manufacturing Overhead
July 1	5,000	6,000	9,000
10	9,000		
15		8,000	
20	7,000		
27		12,000	

Instructions

(a) Answer the following questions.

1. What was the balance in Work in Process Inventory on July 1 if these were the only unfinished jobs?
2. What was the predetermined overhead rate in June if overhead was applied on the basis of direct labor cost?
3. If July is the start of a new fiscal year and the overhead rate is 20% higher than in the preceding year, how much overhead should be applied to Job 210 in July?
4. Assuming Job 210 is complete, what is the total and unit cost of the job?
5. Assuming Job 211 is the only unfinished job at July 31, what is the balance in Work in Process Inventory on this date?

(b) Journalize the summary entries to record the assignment of costs to the jobs in July. (*Note:* Make one entry in total for each manufacturing cost element.)

Ans: N/A, LO: 2, 3, 4, Bloom: AN, Difficulty: Moderate, Min: 15, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting

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Solution 177 (15–20 min.)

(a) 1. Job 210 — $9,000 + $8,000 + $12,000 = $29,000
Job 211 — $5,000 + $6,000 + $9,000 = 20,000
$49,000

2. Manufacturing overhead rate = 150% of direct labor cost ($12,000 ÷ $8,000 or $9,000 ÷ $6,000)

3. July overhead rate = 150% × 120% = 180%
Overhead applied in July = $30,000 × 180% = $54,000

4.

Direct materials	$ 23,000
Direct labor	38,000
Manufacturing overhead ($12,000 + $54,000)	66,000
Total cost	$127,000
Unit cost ($127,000 ÷ 1,500)	$84.67

5.

Direct materials	$21,000
Direct labor	26,000
Manufacturing overhead ($9,000 + $36,000)	45,000
Total cost of Work in Process inventory	$92,000

(b)

Work in Process Inventory	30,000	
Raw Materials Inventory		30,000
Work in Process Inventory	50,000	
Factory Labor		50,000
Work in Process Inventory	90,000	
Manufacturing Overhead		90,000

Ex. 178

Garner Company begins operations on July 1, 2022. Information from job cost sheets shows the following:

	Manufacturing Costs Assigned		
Job No.	July	August	September
100	$12,000	$8,800	
101	10,800	9,700	$12,000
102	5,000		
103		11,800	6,000
104		5,800	7,000

Job 102 was completed in July. Job 100 was completed in August, and Jobs 101 and 103 were completed in September. Each job was sold for 60% above its cost in the month following completion.

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Ex. 178 (Cont.)

Instructions

(a) Compute the balance in Work in Process Inventory at the end of July.
(b) Compute the balance in Finished Goods Inventory at the end of September.
(c) Compute the gross profit for August.

Ans: N/A, LO: 2, 4, Bloom: AP, Difficulty: Moderate, Min: 10, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting

Solution 178 (10–13 min.)

(a) Work in Process Inventory

July	Job 100	$12,000
	Job 101	10,800
Balance, July 31		$22,800

(b) Finished Goods Inventory

	Job 101	$32,500
	Job 103	17,800
Balance, Sept. 30		$50,300

(c) Gross Profit

Month	Job Number	Sales	COGS	Gross Profit
August	102	$8,000	$5,000	$3,000

Ex. 179

The accounting records of Roland Manufacturing Company include the following information:

	Dec. 31	Jan. 1
Work in Process Inventory	$ 20,000	$ 50,000
Finished Goods Inventory	120,000	150,000
Direct materials used	350,000	
Direct labor	160,000	
Selling expenses	125,000	

Manufacturing overhead is applied at a rate of 150% of direct labor cost.

Instructions

Answer the following questions:

1. What is the total of the debits to Work in Process Inventory during the year?
2. What is the amount transferred to Finished Goods Inventory during the year?
3. What is Cost of Goods Sold?

Ans: N/A, LO: 2, 4, Bloom: AP, Difficulty: Moderate, Min: 10, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: FSA

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Solution 179 (10–14 min.)

1. Direct Materials $ 350,000
   Direct Labor 160,000
   Manufacturing Overhead Applied ($160,000 × 150%) 240,000
   Total debits $750,000

2.

WORK IN PROCESS INVENTORY			
Balance	50,000	Transferred to	
From (1)	750,000	Finished Goods	780,000
Balance	20,000		

3.

FINISHED GOODS INVENTORY			
Balance	150,000	Cost of Goods Sold	810,000
From WIP (see 2)	780,000		
Balance	120,000		

Ex. 180

Grant Marwick and Associates, a CPA firm, uses job order costing to capture the costs of its audit jobs. There were no audit jobs in process at the beginning of November. Listed below are data concerning the three audit jobs conducted during November.

	Rondelli	Preston	Lopez
Direct materials	$900	$600	$300
Auditor labor costs	$5,900	$6,600	$3,700
Auditor hours	66	88	45

Overhead costs are applied to jobs on the basis of auditor hours and the predetermined overhead rate is $50 per auditor hour. The Rondelli job is the only incomplete job at the end of November. Actual overhead for the month was $10,500.

Instructions

(a) Determine the cost of each job.
(b) Indicate the balance of the Work in Process Inventory account at the end of November.
(c) Calculate the ending balance of the Operating Overhead account for November.

Ans: N/A, LO: 2, 3, 5, Bloom: AP, Difficulty: Moderate, Min: 8, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting

Solution 180 (8 min.)

(a)

	Rondelli	Preston	Lopez
Direct materials	$ 900	$ 600	$ 300
Auditor labor costs	5,900	6,600	3,700
Applied overhead	3,300	4,400	2,250
Total cost	$10,100	$11,600	$6,250

(b) The Rondelli job is the only incomplete job, therefore, $10,100

(c)

Actual overhead	$10,500	(DR)
Applied overhead	9,950	(CR)
Balance	$ 550	(DR - underapplied)

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Ex. 181

Gallagher Company applies manufacturing overhead to jobs on the basis of machine hours used. Overhead costs are expected to total $425,000 for the year, and machine usage is estimated at 125,000 hours.

For the year, $450,000 of overhead costs are incurred and 130,000 hours are used.

Instructions

(a) Compute the manufacturing overhead rate for the year.
(b) What is the amount of under - or overapplied overhead at December 31?
(c) Assuming the under - or overapplied overhead for the year is not allocated to inventory accounts, prepare the adjusting entry to assign the amount to cost of goods sold

Ans: N/A, LO: 3, 5, Bloom: AP, Difficulty: Moderate, Min: 6, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics

Solution 181 (6 min.)

(a) $3.40 per machine hour ($425,000 ÷ 125,000).

(b) ($450,000) – ($3.40 × 130,000 Machine Hours)
$450,000 – $442,000 = $8,000 underapplied

(c)	Cost of Goods Sold.....	8,000	
	Manufacturing Overhead.....		8,000

Ex. 182

Fancy Decorating uses a job order costing system to collect the costs of its interior decorating business. Each client's consultation is treated as a separate job. Overhead is applied to each job based on the number of decorator hours incurred. Listed below are data for the current year.

Estimated overhead	$880,000
Actual overhead	$910,000
Estimated decorator hours	40,000
Actual decorator hours	41,000

The company uses Operating Overhead in place of Manufacturing Overhead.

Instructions

(a) Compute the predetermined overhead rate.
(b) Prepare the entry to apply the overhead for the year.
(c) Determine whether the overhead was under - or overapplied and by what amount.

Ans: N/A, LO: 3, 5, Bloom: AP, Difficulty: Moderate, Min: 6, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics

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Solution 182 (6 min.)

(a) Predetermined overhead rate = Estimated overhead ÷ Estimated decorator hours
= $880,000 ÷ 40,000 decorator hours
= $22 per decorator hour

(b) Applied Overhead

Work in Process Inventory (41,000 hrs. × $22)	902,000	
Operating Overhead		902,000

(c)

Actual overhead	$910,000	
Applied overhead	902,000	
Balance	$ 8,000	underapplied

Ex. 183

Martin Company applies manufacturing overhead based on direct labor hours. Information concerning manufacturing overhead and labor for the year follows:

Actual manufacturing overhead	$80,000
Estimated manufacturing overhead	$75,000
Direct labor hours incurred	4,800
Direct labor hours estimated	5,000

Instructions
Compute (a) the predetermined overhead rate and (b) the amount of applied manufacturing overhead.

Ans: N/A, LO: 3, Bloom: AP, Difficulty: Moderate, Min: 4, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics

Solution 183 (4 min.)

(a) Predetermined overhead rate: $75,000 ÷ 5,000 = $15 per direct labor hour

(b) Applied manufacturing overhead: 4,800 × $15 = $72,000

Ex. 184

Landis Company uses a job order cost system in each of its two manufacturing departments. Manufacturing overhead is applied to jobs on the basis of direct labor cost in Department A and machine hours in Department B. In establishing the predetermined overhead rates for 2022, the following estimates were made for the year:

	Department	
	A	B
Manufacturing overhead	$2,100,000	$1,400,000
Direct labor cost	1,500,000	1,200,000
Direct labor hours	100,000	100,000
Machine hours	200,000	400,000

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Ex. 184 (Cont.)

During January, the job cost sheet showed the following costs and production data:

	Department	
	A	B
Direct materials used	$195,000	$128,000
Direct labor cost	100,000	110,000
Manufacturing overhead incurred	130,000	135,000
Direct labor hours	8,000	8,400
Machine hours	16,000	34,000

Instructions

(a) Compute the predetermined overhead rate for each department.
(b) Compute the total manufacturing cost assigned to jobs in January in each department.
(c) Compute the balance in the Manufacturing Overhead account at the end of January and indicate whether overhead is over- or underapplied.

Ans: N/A, LO: 3, 5, Bloom: AP, Difficulty: Moderate, Min: 15, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics

Solution 184 (15–20 min.)

(a) Predetermined overhead rates:

Department A (using direct labor cost): $2,100,000 ÷ $1,500,000 = 140%
Department B (using machine hours): $1,400,000 ÷ 400,000 = $3.50 per machine hour

(b) Total manufacturing costs by department:

Department A:	
Direct materials	$195,000
Direct labor cost	100,000
Manufacturing overhead applied ($100,000 × 140%)	140,000
Total manufacturing costs	$435,000
Department B:	
Direct materials	$128,000
Direct labor cost	110,000
Manufacturing overhead applied (34,000 hrs. × $3.50)	119,000
Total manufacturing costs	$357,000

(c)

MANUFACTURING OVERHEAD			
Dept. A	130,000	Dept. A	140,000
Dept. B	135,000	Dept. B	119,000
	265,000		259,000
Bal. Underapplied	6,000		

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Ex. 185

Edwards Company applies manufacturing overhead to jobs on the basis of machine hours used. Overhead costs are expected to total $1,800,000 for the year, and machine usage is estimated at 200,000 hours.

In January, $186,000 of overhead costs are incurred and 22,000 machine hours are used. For the remainder of the year, $1,940,000 of additional overhead costs are incurred and 214,000 additional machine hours are worked.

Instructions

(a) Compute the predetermined manufacturing overhead rate for the year.
(b) What is the amount of over- or underapplied overhead at January 31?
(c) What is the amount of over- or underapplied overhead at December 31?

Ans: N/A, LO: 3, 5, Bloom: AP, Difficulty: Moderate, Min: 11, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics

Solution 185 (11–14 min.)

(a) $9 per machine hour ($1,800,000 ÷ 200,000)

(b)	Incurred	$186,000
	Applied ($9 × 22,000)	198,000
	Overapplied overhead	$ 12,000
(c)	Incurred ($186,000 + $1,940,000)	$2, 126,000
	Applied ($9 × 236,000)	2,124,000
	Underapplied overhead	$ 2,000

Ex. 186

Klinger Company estimates that annual manufacturing overhead costs will be $4,800,000 for 2022. The actual overhead costs at the end of 2022 are $4,980,000. Activity base information for 2022 follows:

Activity Base	Estimated	Actual
Direct Labor Cost	$3,000,000	$3,150,000
Direct Labor Hours	200,000	212,000
Machine Hours	150,000	152,000

Instructions

(a) Compute the predetermined overhead rate for each activity base.
(b) Compute the amount of overhead applied in 2022 for each activity base.
(c) Compute the amount of under- or overapplied overhead for 2022 for each activity base.

Ans: N/A, LO: 3, 5, Bloom: AP, Difficulty: Moderate, Min: 12, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Decision Making, IMA: Business Economics

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Solution 186 (12–16 min.)

(a) Predetermined overhead rate as a % of direct labor cost:
$4,800,000 ÷ $3,000,000 = 160%

Predetermined overhead rate per hour of direct labor:
$4,800,000 ÷ 200,000 = $24 per hour

Predetermined overhead rate per machine hour used:
$4,800,000 ÷ 150,000 = $32 per machine hour

(b) Overhead applied as a % of direct labor cost:
$3,150,000 × 160% = $5,040,000

Overhead applied per hour of direct labor:
212,000 × $24 = $5,088,000

Overhead applied per machine hour used:
152,000 × $32 = $4,864,000

(c) Over- or Underapplied Overhead
($5,040,000 – $4,980,000 = $60,000 Overapplied)

($5,088,000 – $4,980,000 = $108,000 Overapplied)

($4,864,000 – $4,980,000 = $116,000 Underapplied)

Ex. 187

Jensen Manufacturing Company makes specialty tools. In January, Jensen incurs manufacturing costs of $13,000,000 for direct material, direct labor, and overhead. 20% of the total costs represents overhead applied. The overhead rate is $1 for every $2 of direct labor costs incurred. Inventory balances were:

	January 1	January 31
Raw Materials	$300,000	$500,000
Work in Process	600,000	400,000
Finished Goods	400,000	200,000

At the end of January, there was $1,000 of overapplied overhead.

Instructions
(a) Determine the cost of raw materials purchased in January.
(b) Prepare a Cost of Goods Manufactured Schedule for January 2022.
(c) Compute Cost of Goods Sold for January.

Ans: N/A, LO: 4, Bloom: AP, Difficulty: Moderate, Min: 15, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting

Solution 187 (15–20 min.)

(a)	Overhead applied ($13,000,000 × 20%)	=	$2,600,000
	Direct labor used ($2 × $2,600,000)	=	$5,200,000
	Direct materials used ($13,000,000 – $7,800,000)	=	$5,200,000

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Solution 187 (Cont.)

Ending Raw Materials Inventory	$ 500,000
Direct materials used	5,200,000
	5,700,000
Less: Beginning Raw Materials Inventory	300,000
Raw materials purchases	$5,400,000

(b)

JENSEN MANUFACTURING COMPANY
Cost of Goods Manufactured Schedule
For the Month Ended January 31, 2022

Work in Process Inventory, January 1		$ 600,000
Direct Materials Used	$5,200,000	
Direct Labor	5,200,000	
Manufacturing Overhead Applied	2,600,000	
Total Manufacturing Costs		13,000,000
Total Work in Process Inventory		13,600,000
Less: Work in Process Inventory, January 31		400,000
Cost of Goods Manufactured		$ 13,200,000

(c)

Finished Goods Inventory, January 1	$ 400,000
Cost of Goods Manufactured	13,200,000
Cost of Goods Available for Sale	13,600,000
Finished Goods Inventory, January 31	200,000
Cost of Goods Sold	$13,400,000

Ex. 188

The following information is available for Marks Company at December 31, 2022:

1. Inventory balance

	Beginning of Year	End of Year
Finished Goods	$14,000	$10,000
Work in Process	6,000	12,000
Raw Materials	10,300	6,500

2. Debit postings to Work in Process Inventory during the year were:

Direct materials	$90,000
Direct labor	60,000
Manufacturing overhead applied	75,000

3. Sales totaled $310,000 for the year.

Instructions

(a) Prepare a condensed cost of goods manufactured schedule.
(b) Prepare an income statement for the year through gross profit.

Ans: N/A, LO: 4, Bloom: AP, Difficulty: Moderate, Min: 14, AACSB: Analytic, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Decision Making, IMA: Reporting

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Solution 188 (14–18 min.)

(a)

MARKS COMPANY
Cost of Goods Manufactured Schedule
For the Year Ended December 31, 2022

Work in process inventory, January 1		$ 6,000
Direct materials used	$90,000	
Direct labor	60,000	
Manufacturing overhead applied	75,000	
Total manufacturing costs		225,000
Total cost of work in process inventory		231,000
Less: work in process inventory, December 31		12,000
Cost of goods manufactured		$219,000

(b)

MARKS COMPANY
(Partial) Income Statement
For the Year Ended December 31, 2022

Sales revenue		$310,000
Cost of Goods Sold		
Finished Goods Inventory, January 1	$ 14,000	
Cost of Goods Manufactured	219,000	
Cost of Goods Available for Sale	233,000	
Less: Finished Goods Inventory, December 31	10,000	
Cost of Goods Sold		223,000
Gross Profit		$87,000

COMPLETION STATEMENTS

189. Cost accounting involves the measuring, recording, and reporting of _____ costs.

Ans: N/A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Applications

190. There are two basic types of cost accounting systems: (1)_____ system, and (2)_____ system.

Ans: N/A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Reporting, AICPA PC: None, IMA: Business Economics

191. A _____ cost system is appropriate when similar products are continuously produced, whereas a _____ cost system would be more appropriate if the product is custom-made.

Ans: N/A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Reporting, AICPA PC: None, IMA: Business Applications

192. In a job order cost system, raw materials purchased are charged to the _____ account.

Ans: N/A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Global and Industry Perspectives, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

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193. In a job order cost system, _____ is charged when direct materials are requisitioned and placed into production.

Ans: N/A, LO: 1, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: None, IMA: Reporting

194. If $20,000 direct materials are requisitioned for a job and $7,000 of indirect materials are requisitioned for general use, the debit to Work in Process Inventory should be for $_____.

Ans: N/A, LO: 2, Bloom: AP, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

195. The cost of producing a particular job under a job order cost system is accumulated on a record called a _____.

Ans: N/A, LO: 2, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

196. Manufacturing overhead is applied to jobs by means of a _____ rate.

Ans: N/A, LO: 3, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

197. If actual manufacturing overhead is greater than the amount of manufacturing overhead applied to jobs, the Manufacturing Overhead account will have a _____ balance and overhead is said to be _____.

Ans: N/A, LO: 5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: Business Economics

198. At the end of the period, any balance in the Manufacturing Overhead account should be eliminated as an adjustment to _____.

Ans: N/A, LO: 5, Bloom: K, Difficulty: Easy, Min: 1, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

Answers to Completion Statements

189. product or service
190. job order cost, process cost
191. process, job order
192. Raw Materials Inventory
193. Work in Process Inventory
194. 20,000
195. job cost sheet
196. predetermined overhead
197. debit, underapplied
198. cost of goods sold

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MATCHING

199. Match the items in the two columns below by entering the appropriate code letter in the space provided.

A. Cost accounting	F. Process cost system
B. Materials requisition slip	G. Job cost sheets
C. Time ticket	H. Predetermined overhead rate
D. Cost accounting system	I. Overapplied overhead
E. Job order cost system	J. Underapplied overhead

_____ 1. Used to apply manufacturing overhead to jobs.

_____ 2. Measures, records, and reports product and service costs.

_____ 3. Actual manufacturing overhead costs are greater than overhead applied to products.

_____ 4. Manufacturing cost accounts are fully integrated into the general ledger.

_____ 5. Source document which authorizes issuance of raw materials to production.

_____ 6. Appropriate when products have distinguishing and heterogeneous characteristics.

_____ 7. Constitutes a subsidiary ledger for Work in Process Inventory.

_____ 8. Indicates number of hours that employees work and the account to be charged.

_____ 9. Appropriate when products are similar and are produced continuously.

_____ 10. Actual manufacturing overhead costs are less than overhead applied to products.

Ans: N/A, LO: 1-5, Bloom: K, Difficulty: Easy, Min: 5, AACSB: None, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: None, IMA: FSA

Answers to Matching

1. H	6. E
2. A	7. G
3. J	8. C
4. D	9. F
5. B	10. I

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SHORT-ANSWER ESSAY QUESTIONS

S-A E 200

(a) Distinguish between the two types of cost accounting systems. (b) May a company use both types of cost accounting systems?

Ans: N/A, LO: 1, Bloom: S, Difficulty: Easy, Min: 5, AACSB: Communications, AICPA BB: Global and Industry Perspectives, AICPA FN: Reporting, AICPA PC: Communications, IMA: Business Applications

Solution 200

(a) The two principal types of cost accounting systems are; (1) job order costing and (2) process costing. Under a job order cost system, costs are assigned to each job or batch of goods; at all times each job or batch of goods can be separately identified. A job order cost system measures costs for each completed job, rather than for set time periods. Under a process cost system, product-related costs are accumulated by or assigned to departments or processes for a set period of time. Job order costing lends itself to specific, special-order manufacturing or servicing while process costing is better suited to similar, large-volume products and continuous process manufacturing.

(b) A company may use both types of systems. For example, General Motors uses process costing for standard model cars and job order costing for custom-made vehicles.

S-A E 201

A job order cost system is fully integrated into the general ledger of a company. Identify the major general ledger accounts used in a job order cost system. Explain how manufacturing costs flow through these accounts so that inventories may be costed and income determined when goods are sold.

Ans: N/A, LO: 1, Bloom: S, Difficulty: Easy, Min: 5, AACSB: Communications, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Communications, IMA: Business Economics

Solution 201

When a job order cost system is fully integrated into the general ledger of a company, the major general ledger accounts used are Raw Materials Inventory, Factory Labor, Manufacturing Overhead, Work in Process Inventory, and Finished Goods Inventory. As manufacturing costs are incurred, they are debited to the Raw Materials Inventory, Factory Labor, and Manufacturing Overhead accounts. As materials are used, labor is assigned, or overhead is applied to production, the costs are taken out of these accounts and charged to Work in Process Inventory. When jobs are finished, the costs flow from the Work in Process Inventory account to the Finished Goods Inventory account, and when jobs are sold, the costs are transferred to Cost of Goods Sold from Finished Goods Inventory.

S-A E 202

Manufacturing overhead items are indirect product costs that cannot be traced to individual products. Explain how manufacturing overhead costs are accumulated and how they are assigned to products in a job order cost system.

Ans: N/A, LO: 3, Bloom: S, Difficulty: Easy, Min: 5, AACSB: Communications, AICPA BB: Governance Perspective, AICPA FN: Measurement, Analysis, and Interpretation, AICPA PC: Communications, IMA: Business Economics

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Solution 202

As manufacturing overhead costs are incurred, they are debited to the Manufacturing Overhead account. As jobs move through the factory, manufacturing overhead costs are applied to specific jobs using the predetermined overhead rate. This rate is computed prior to the beginning of the year by dividing estimated annual overhead costs by estimated annual operating activity (generally expressed as direct labor hours, direct labor cost, or machine hours). The overhead is applied by determining how much activity was expended on a particular job (for example, direct labor hours), and applying the rate to that activity.

S-A E 203

Mike Hilyer is confused about under and overapplied manufacturing overhead. Define the terms for Mike and indicate the balance in the manufacturing overhead account applicable to each term.

Ans: N/A, LO: 3, Bloom: S, Difficulty: Easy, Min: 5, AACSB: Ethics, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Communications, IMA: Business Economics

Solution 203

Underapplied overhead means that the overhead assigned to Work in Process inventory is less than the overhead incurred. Overapplied overhead means than the overhead assigned to Work in Process inventory is greater than the overhead incurred. Manufacturing overhead will have a debit balance when overhead is underapplied and a credit balance when overhead is overapplied.

S-A E 204 (Ethics)

People Carrier Systems, Inc. (PCS) modifies vans that seat 15–20 people by adding additional safety features or wheelchair ramps. Most of its customers are cities and counties, who use the vans to transport school children, the elderly, or the handicapped. The company has specialized in a no-frills approach, emphasizing safety, high quality, and low cost. The company's president was quoted as saying, "Let the other guys make a van pretty. We get people where they need to go—faster, better, and cheaper than anybody else."

The company obtains jobs by being the lowest bidder in a sealed bidding process. Recently, the company was solicited by a top-10 college to submit a bid for a van to be used by its athletic team. Some specialized items were required, such as the school's logo on the outside of the van, and the vinyl seats had to be covered in school colors. The company submitted a bid, and was very surprised to obtain it.

When the job was being prepared, the job manager pointed out that several extra costs could result in this job showing a loss. The boss, an ardent supporter of sports in general and this team in particular, told the manager to just record the standard labor and overhead cost for this job. He says that they could use the preset rate for specialized jobs, and increase the overhead application rate (used in submitting bids) by 5% for future routine jobs. "After all," he says, "nobody else comes close to our price anyway. This could start a whole new line of business for us."

Required:

1. Who are the stakeholders in the decision to increase overhead for routine jobs?
2. Is the decision to subsidize special jobs by increasing the overhead rate on routine jobs ethical? Briefly explain.

Ans: N/A, LO: 2, Bloom: S, Difficulty: Easy, Min: 5, AACSB: Ethics, AICPA BB: Governance Perspective, AICPA FN: Reporting, AICPA PC: Communications, IMA: Business Economics

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Solution 204

1. The stakeholders include:
   - The employees and managers of PCS
   - Customers who purchase standard vans
   - Customers who purchase sports vans
   - Shareholders of PCS

2. The decision could be considered ethical, if the company clearly understands that it is allowing the customers of the standard vans to cover some of the costs of the specialty ones. This might not be a bad decision, especially if the specialty business is only a small fraction of the total business.

   The company might be compromising its own best interests, however, if it arbitrarily damages relationships with existing customers in order to gain others. Established customers are generally preferable to untested ones. While probably ethical, the decision may not be a good one.

S-A E 205 (Communication)

Bridal Treasures, Inc. makes customized wedding gowns. The customer selects a pattern for the basic gown, and then selects fabric and trim. Once the design and the materials have been agreed upon, a Statement of Estimated Cost is signed by the company and by the customer.

Overhead is applied based on the number of days a gown is in process. Usually, five gowns are being worked on at a time. Therefore, each gown is charged 1/5 of a daily estimated overhead amount.

Customer Mary Landon's wedding dress took four days to complete. However, after the first three days had elapsed, Hanna Hunt, a movie personality, suddenly decided to get married, and ordered a very lavish gown. All other work was suspended, and the work on Ms. Landon's dress was delayed six days. The final day of its construction was on the tenth day after it had been begun.

Required:
You are the accounting manager for Bridal Treasures. Write a memo to the billing department. Instruct them as to the appropriate number of overhead days to charge to Ms. Landon's account.

Ans: N/A, LO: 3, Bloom: S, Difficulty: Easy, Min: 5, AACSB: Communications, AICPA BB: Governance Perspective, AICPA FN: None, AICPA PC: Communications, IMA: Business Economics

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Solution 205

TO: Billing Department

FROM: M. Long, Accounting Manager

RE: Overhead billing, Landon account

As you know, our standard procedure in billing overhead is to simply multiply our daily overhead rate by the number of days the gown was in our possession. However, for the Landon gown, and any other jobs we suspended for the Hanna Hunt gown, we should not charge for the days the gowns were in our possession but not being worked on.

We should adjust the billing for the Hanna Hunt gown, so that it absorbs the full daily cost of overhead, since it actually was the only job worked on during those six days. The Landon job should be charged only four days of overhead. Other suspended jobs should be treated similarly.

Please call if you have questions.

(signed)

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