Managerial Accounting 6th edition Wild Test Bank

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Chapter 2
JOB ORDER COSTING AND ANALYSIS

True/False Questions

1. Cost accounting systems accumulate manufacturing costs and then assign them to products and services.

Answer: True

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C1
Topic: Job Order Costing

2. A company that uses a cost accounting system normally has only two inventory accounts: Finished Goods Inventory and Work in Process Inventory.

Answer: False

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C1
Topic: Job Order Costing

3. Cost accounting information is helpful to management for pricing decisions but has no effect on controlling costs.

Answer: False

Blooms: Understand
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-C1
Topic: Job Order Costing

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4. There are two basic types of cost accounting systems: job order costing and periodic costing.

Answer: False

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C1
Topic: Job Order Costing

5. There are two basic types of cost accounting systems: job order costing and process costing.

Answer: True

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C1
Topic: Job Order Costing

6. A company that produces a large number of standardized units would normally use a job order costing system.

Answer: False

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C1
Topic: Job Order Costing

7. A company that produces products individually designed to meet the needs of a specific customer would normally use a job order costing system.

Answer: True

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C1
Topic: Job Order Costing

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8. Job order production systems would be appropriate for companies that produce custom homes, specialized equipment, and special computer systems.

Answer: True

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C1
Topic: Job Order Costing

9. Job order production systems would be appropriate for companies that produce compact disks or disposable cameras.

Answer: False

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C1
Topic: Job Order Costing

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10. A job order costing system would be appropriate for a manufacturer of automobile tires.

Answer: False

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C1
Topic: Job Order Costing

11. Job order production systems would be appropriate for companies that produce training films for a specific customer or custom-made furniture to be used in a new five-star resort hotel.

Answer: True

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C1
Topic: Job Order Costing

12. When a job involves producing more than one unit of a custom product, it is often called a job lot.

Answer: True

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C1
Topic: Job Order Costing

13. A company's file of job cost sheets for jobs that are not yet completed equals the balance in the Finished Goods Inventory account.

Answer: False

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C2
Topic: Job cost sheet

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14. A company's file of job cost sheets for jobs that are not yet completed equals the balance in the Work in Process Inventory account.

Answer: True

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C2
Topic: Job cost sheet

15. A company's file of job cost sheets for jobs that are completed but not yet sold equals the balance in the Finished Goods Inventory account.

Answer: True

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C2
Topic: Job cost sheet

16. A company's file of job cost sheets for jobs that are completed but not yet sold equals the balance in the Work in Process Inventory account.

Answer: False

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C2
Topic: Job cost sheet

17. The direct materials section of a job cost sheet shows the materials costs assigned to a specific job, but the direct labor section only shows the total hours of labor allocated to the job.

Answer: False

Blooms: Understand
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-C2

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Topic: Job cost sheet

18. The collection of cost sheets for unfinished jobs makes up a subsidiary ledger controlled by the Work in Process Inventory account in the general ledger.

Answer: True

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C2
Topic: Job cost sheet

19. A job cost sheet is useful for developing financial accounting numbers but does not contain information that is useful for managing the production process.

Answer: False

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C2
Topic: Job cost sheet

20. Job cost sheets are used to track all of the costs assigned to a job, including direct materials, direct labor, overhead, and all selling and administrative costs.

Answer: False

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C2
Topic: Job cost sheet

21. When a job is finished, its job cost sheet is completed and moved from the file of jobs in process to the file of finished jobs that are yet to be delivered to customers.

Answer: True

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C2

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Topic: Job cost sheet

22. The file of job cost sheets for completed but undelivered jobs equals the balance in the Work in Process Inventory account.

Answer: False

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C2
Topic: Job cost sheet

23. Both direct and indirect labor costs are recorded on the individual job cost sheets.

Answer: False

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C2
Topic: Job cost sheet

24. Job cost sheets include both product and period costs.

Answer: False

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C2
Topic: Job cost sheet

25. Only product costs are recorded on job cost sheets.

Answer: True

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C2
Topic: Job cost sheet

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26. Service firms, unlike manufacturing firms, should only use actual costs when determining a selling price for their services.

Answer: False

Blooms: Understand
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-A1
Topic: Pricing for Services

27. Job order costing is applicable to manufacturing firms only and not service firms.

Answer: False

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-A1
Topic: Pricing for Services

28. The cost of all direct materials issued to production is debited to Work in Process Inventory.

Answer: True

Blooms: Remember
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P1
Topic: Materials Cost Flows and Documents

29. A materials requisition is a source document used by production managers to request materials for production and also used to assign materials costs to specific jobs or to overhead.

Answer: True

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P1
Topic: Materials Cost Flows and Documents

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30. When materials are used as indirect materials, their cost is debited to the Factory Overhead account.

Answer: True

Blooms: Remember
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P1
Topic: Materials Cost Flows and Documents

31. A materials requisition is a source document used by materials managers of a manufacturing company to order raw materials from suppliers; it serves the same purpose as a purchase order in a merchandising company.

Answer: False

Blooms: Remember
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P1
Topic: Materials Cost Flows and Documents

32. A receiving report serves as the source document for recording materials received in both a materials ledger card and in the general ledger.

Answer: True

Blooms: Remember
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P1
Topic: Materials Cost Flows and Documents

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33. In nearly all job order cost systems, materials ledger cards are perpetual records that are updated each time materials are purchased or issued for use in production.

Answer: True

Blooms: Remember
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P1
Topic: Materials Cost Flows and Documents

34. The journal entry to record the usage of Direct Materials includes a debit to Work in Process Inventory.

Answer: True

Blooms: Remember
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P1
Topic: Materials Cost Flows and Documents

35. The journal entry to record the usage of Indirect Materials includes a debit to Work in Process Inventory.

Answer: False

Blooms: Remember
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P1
Learning Objective: 02-P3
Topic: Materials Cost Flows and Documents
Topic: Overhead Cost Flows and Documents

36. The journal entry to record the purchase of materials includes a debit to Work in Process Inventory.

Answer: False

Blooms: Remember
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P1
Topic: Materials Cost Flows and Documents

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37. Materials requisitions and time tickets are cost accounting source documents.

Answer: True

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P1
Learning Objective: 02-P2
Topic: Materials Cost Flows and Documents
Topic: Labor Cost Flows and Documents

38. A time ticket is a source document used by an employee to record the number of hours worked on a particular job during the work day.

Answer: True

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P2
Topic: Labor Cost Flows and Documents

39. A time ticket is a source document that an employee uses to report how much direct labor was performed for a job and is used to determine the amount of direct labor to charge to the job.

Answer: True

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P2
Topic: Labor Cost Flows and Documents

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40. A time ticket is a source document that an employee uses to report how much indirect labor was performed for a job and is used to determine the amount of direct labor to charge to the job.

Answer: False

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P2
Topic: Labor Cost Flows and Documents

41. A time ticket is a source document used by an employee to record the total number of hours worked and serves as a source document for entries to record labor costs.

Answer: True

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P2
Topic: Labor Cost Flows and Documents

42. When time ticket information is entered into the accounting system, the journal entry is a debit to Factory Wages Payable and a credit to Work in Process Inventory.

Answer: False

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P2
Topic: Labor Cost Flows and Documents

43. The predetermined overhead rate is used to allocate overhead cost to jobs.

Answer: True

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

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44. Factory overhead is often collected and summarized in a subsidiary factory overhead ledger.

Answer: True

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

45. Predetermined overhead rates are calculated at the end of the accounting period once the actual amount of factory overhead is known.

Answer: False

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P3
Topic; Overhead Cost Flows and Documents

46. Predetermined overhead rates are calculated before the start of the accounting period, and are therefore based on estimates.

Answer: True

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P3
Topic; Overhead Cost Flows and Documents

47. Predetermined overhead rates are necessary because cost accountants use periodic inventory systems.

Answer: False

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

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48. The predetermined overhead rate based on direct labor cost is the ratio of estimated overhead cost to estimated direct labor cost for the period.

Answer: True

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

49. In a job order costing system, indirect labor costs are debited to the Factory Overhead account.

Answer: True

Blooms: Remember
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P2
Topic: Overhead Cost Flows and Documents

50. Since a predetermined overhead rate is established before a period begins, this rate is revised many times during the period to compensate for inaccurate estimates previously made.

Answer: False

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

51. Under a job order costing system, individual jobs are always charged with actual overhead costs when they are transferred to finished goods.

Answer: False

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

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52. Actual factory overhead incurred in a job costing system is debited to a Factory Overhead general ledger account and credited to various other accounts.

Answer: True

Blooms: Remember
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1Easy
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

53. Direct materials and direct labor are examples of costs that are debited to the Factory Overhead account in a job costing system.

Answer: False

Blooms: Remember
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1Easy
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

54. There should be a "cause and effect" relation between the overhead allocation base and overhead costs.

Answer: True

Blooms: Remember
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1Easy
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

55. Overapplied overhead is the amount by which actual overhead cost exceeds the overhead applied to products during the period.

Answer: False

Blooms: Remember
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

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56. Underapplied overhead is the amount by which actual overhead cost exceeds the overhead applied to products during the period.

Answer: True

Blooms: Remember
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

57. When actual overhead cost exceeds the overhead applied, overhead is said to be underapplied.

Answer: True

Blooms: Remember
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

58. When actual overhead cost exceeds the overhead applied, overhead is said to be overapplied.

Answer: False

Blooms: Remember
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

59. In a job order costing system, any immaterial underapplied overhead at the end of the period can be charged entirely to Cost of Goods Sold.

Answer: True

Blooms: Remember
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

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60. If actual overhead incurred during a period exceeds applied overhead, the difference will be a credit balance in the Factory Overhead account at the end of the period.

Answer: False

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

61. If actual overhead incurred during a period exceeds applied overhead, the difference will be a debit balance in the Factory Overhead account at the end of the period.

Answer: True

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

62. The Factory Overhead account will have a credit balance at the end of a period if overhead applied during the period is greater than the overhead incurred.

Answer: True

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

63. The Factory Overhead account will have a debit balance at the end of a period if overhead applied during the period is greater than the overhead incurred.

Answer: False

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

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64. Material amounts of under- or overapplied factory overhead are always closed entirely to Cost of Goods Sold at the end of an accounting period.

Answer: False

Blooms: Remember
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

65. Underapplied overhead is the amount by which overhead applied to jobs using the predetermined overhead rate exceeds the actual overhead incurred during a period.

Answer: False

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

66. Overapplied overhead is the amount by which overhead applied to jobs using the predetermined overhead rate exceeds the actual overhead incurred during a period.

Answer: True

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

67. Overapplied or underapplied overhead should be removed from the Factory Overhead account at the end of each accounting period.

Answer: True

Blooms: Remember
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

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68. If overhead is underapplied, it means that individual jobs have not been charged enough during the year and the cost of goods sold reported is too low.

Answer: True

Blooms: Remember
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

69. If overhead is overapplied, it means that individual jobs have not been charged enough overhead during the year and the cost of goods sold reported is too low.

Answer: False

Blooms: Remember
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

70. If overhead is overapplied, it means that individual jobs have been charged too much overhead during the year and the cost of goods sold reported is too high.

Answer: True

Blooms: Remember
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

71. If overhead is underapplied, it means that individual jobs have been charged too much during the year and the cost of goods sold reported is too high.

Answer: False

Blooms: Remember
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

72. The schedule of cost of goods manufactured for a job costing system includes total actual factory overhead.

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Answer: False

Blooms: Remember
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AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

73. Period costs for a manufacturing company, such as selling and administrative expenses, are recorded directly to Work in Process Inventory when they are incurred.

Answer: False

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

74. Manufacturing costs incurred for jobs completed during an accounting period can bypass the inventory accounts on the balance sheet and be recorded directly in expense accounts.

Answer: False

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C1
Topic: Job Order Costing

Multiple Choice Questions

75. Cost accounting systems used by manufacturing companies are based on the:
A. Periodic inventory system.
B. Perpetual inventory system.
C. Finished goods inventories.
D. Weighted average inventories.
E. LIFO inventory system.

Answer: B

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Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C1
Topic: Job Order Costing

76. A system of accounting for production operations that produces timely information about inventories and manufacturing costs per unit of product is a:
A. Finished goods accounting system.
B. General accounting system.
C. Manufacturing accounting system.
D. Cost accounting system.
E. Production accounting system.

Answer: D

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C1
Topic: Job Order Costing

77. Job order costing systems normally use:
A. Periodic inventory systems.
B. Perpetual inventory systems.
C. Real inventory systems.
D. General inventory systems.
E. Weighted average inventory systems.

Answer: B

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C1
Topic: Job Order Costing

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78. In comparison to a general accounting system, a cost accounting system for a manufacturing company places an emphasis on:
A. Periodic inventory counts.
B. Total costs.
C. Continually updating costs of materials, work in process, and finished goods inventories.
D. Products and average costs.
E. Large volume operations involving standardized products.

Answer: C

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C1
Topic: Job Order Costing

79. Features of a job costing system include all but which of the following:
A. Diversity of products produced.
B. Mass production.
C. Heterogeneity
D. Customization
E. Separate manufacturing from other products

Answer: B

Blooms: Understand
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C1
Topic: Job Order Costing

80. The two basic types of cost accounting systems are:
A. Job order costing and perpetual costing.
B. Job order costing and customized product costing.
C. Job order costing and customized service costing.
D. Job order costing and process costing.
E. Job order costing and periodic costing.

Answer: D

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C1
Topic: Job Order Costing

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81. The production activities for a customized product represent a(n):
A. Operation.
B. Job.
C. Unit.
D. Pool.
E. Process.

Answer: B

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C1
Topic: Job Order Costing

82. A job order costing system would best fit the needs of a company that makes:
A. Shoes and apparel.
B. Paint.
C. Cement.
D. Custom machinery.
E. Pencils and erasers.

Answer: D

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-C1
Topic: Job Order Costing

83. Job order production is also known as:
A. Mass production.
B. Process production.
C. Unit production.
D. Customized production.
E. Standard costing.

Answer: D

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C1
Topic: Job Order Costing

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84. Omega Contractors manufactures each house to customer specifications. It most likely would use:
A. Process costing.
B. A periodic inventory system.
C. Unique costing.
D. Job order costing.
E. Activity-based costing.

Answer: D

Blooms: Remember
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C1
Topic: Job Order Costing

85. A type of production that yields customized products or services for each customer is called:
A. Customer orientation production.
B. Job order production.
C. Just-in-time production.
D. Job lot production.
E. Process production.

Answer: B

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-C1
Topic: Job Order Costing

86. A company that makes which of the following types of products would best be suited for a job costing system?
A. Fruit juice
B. Bathing suits
C. Snack chips
D. Compact discs
E. Custom jewelry

Answer: E

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-C1
Topic: Job Order Costing

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87. The target cost for a job using job costing is calculated as:
A. direct costs + desired profit
B. direct costs – desired profit
C. expected selling price – direct costs
D. expected selling price – desired profit
E. expected selling price + desired profit

Answer: D

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C1
Topic: Job Order Costing

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88. A job order production system would be appropriate for a company that produces which one of the following items?
A. A landscaping design for a new hospital.
B. Seedlings for sale in a nursery.
C. Sacks of yard fertilizer.
D. Packets of flower seeds.
E. Small gardening tools, including rakes, shovels, and hoes.

Answer: A

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-C1
Topic: Job Order Costing

89. Large aircraft producers such as the Boeing Company normally use:
A. Job order costing.
B. Process costing.
C. Mixed costing.
D. Full costing.
E. Simple costing.

Answer: A

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-C1
Topic: Job Order Costing

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90. A document in a job order costing system that is used to record the costs of producing a job is a(n):
A. Job cost sheet.
B. Job lot.
C. Finished goods summary.
D. Process cost system.
E. Units-of-production sheet.

Answer: A

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C2
Topic: Job Cost Sheet

91. A job cost sheet shows information about each of the following items *except*:
A. The direct labor costs assigned to the job.
B. The name of the customer.
C. The costs incurred by the marketing department in selling the job.
D. The overhead costs assigned to the job.
E. The direct materials costs assigned to the job.

Answer: C

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-C2
Topic: Job cost sheet

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92. The job order cost sheets used by Greene Company revealed the following:

Job. No.	Bal., May 1	May Production Costs
134	$1,700	$0
135	1,200	300
136	0	900

Job No. 135 was completed during May and Jobs No. 134 and 135 were shipped to customers in May. What was the company's cost of goods sold for May and the Work in Process inventory on May 31?
A. $3,200; $ 900.
B. $2,900; $1,200.
C. $1,200; $2,900.
D. $1,700; $1,200.
E. $4,100; $ 0.

Answer: A

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-C2
Topic: Job cost sheet

Feedback:

Cost of goods sold:

Job 134:	*$1,700*
Job 135: ($1,200 + $300)	*1,500*
	$3,200

Work in Process inventory:

Job 136:	*$ 900*

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93. Job A3B was ordered by a customer on September 25. During the month of September, Jaycee Corporation requisitioned $2,500 of direct materials and used $4,000 of direct labor. The job was not finished by the end of the month, but needed an additional $3,000 of direct materials and additional direct labor of $6,500 to finish the job in October. The company applies overhead at the end of each month at a rate of 200% of the direct labor cost incurred. What is the balance in the Work in Process account at the end of September relative to Job A3B?

A. $5,500
B. $11,500
C. $6,500
D. $9,500
E. $14,500

Answer: E

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-C2
Topic: Job cost sheet

Feedback:
*DM $2,500 + DL $4,000 + OH ($4,000 * 2) = WIP for Job A3B $14,500*
Work in process contains the sum of the costs on job cost sheets for jobs that are not yet complete.

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94. Job A3B was ordered by a customer on September 25. During the month of September, Jaycee Corporation requisitioned $2,500 of direct materials and used $4,000 of direct labor. The job was not finished by the end of the month, but needed an additional $3,000 of direct materials and additional direct labor of $6,500 to finish the job in October. The company applies overhead at the end of each month at a rate of 200% of the direct labor cost incurred. What is the total cost of the job when it is completed in October?

A. $16,000
B. $22,500
C. $37,000
D. $26,500
E. $32,000

Answer: C

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-C2
Topic: Job cost sheet

Feedback:
*September job costs: RM $2,500 + DL $4,000 + OH ($4,000 * 2) = $14,500*
*October job costs: RM $3,000 + DL $6,500 + OH ($6,500 * 2) = $22,500*
Total costs: September $14,500 + October $22,500 = $37,000
Work in process contains the sum of the costs on job cost sheets for jobs that are not yet complete.

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95. Job A3B was ordered by a customer on September 25. During the month of September, Jaycee Corporation requisitioned $2,500 of direct materials and used $4,000 of direct labor. The job was not finished by the end of the month, but needed an additional $3,000 of direct materials in October and additional direct labor of $6,500 to finish the job. The company applies overhead at the end of each month at a rate of 200% of the direct labor cost. What is the amount of job costs added to Work in Process Inventory during October?
A. $16,000
B. $22,500
C. $37,000
D. $26,500
E. $32,000

Answer: B

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-C2
Topic: Job cost sheet

Feedback:
*October job costs: RM $3,000 + DL $6,500 + OH ($6,500 * 2) = $22,500*
Work in process contains the sum of the costs on job cost sheets for jobs that are not yet complete.

96. A job cost sheet includes:
A. Direct materials, direct labor, operating costs.
B. Direct materials, estimated overhead, administrative costs.
C. Direct labor, actual overhead, selling costs.
D. Direct material, direct labor, applied overhead.
E. Direct materials, direct labor, selling costs.

Answer: D

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-C2
Topic: Job cost sheet

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97. The balance in the Work in Process Inventory at any point in time is equal to:
A. The costs for jobs finished during the period but not yet sold.
B. The cost of jobs ordered but not yet started into production.
C. The sum of the costs for all jobs in process but not yet completed.
D. The costs of all jobs started during the period, completed or not.
E. The sum of the materials, labor and overhead costs paid during the period.

Answer: C

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-C2
Topic: Job cost sheet

98. The Work in Process Inventory account of a manufacturing company that uses an overhead rate based on direct labor cost has a $3,200 debit balance after all posting is completed. The cost sheet of the one job still in process shows direct material cost of $1,400 and direct labor cost of $800. Therefore, the amount of the applied overhead is:
A. $1,800.
B. $2,200
C. $1,000
D. $800
E. $2,400

Answer: C

Blooms: Apply
AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

Feedback: WIP = DM + DL + OH
$3,200 = $1,400 + $800 + OH
OH = $3,200 – 1,400 – 800 = $1,000

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99. The Work in Process Inventory account of a manufacturing company that uses an overhead rate based on direct labor cost has a $4,400 debit balance after all posting is completed. The cost sheet of the one job still in process shows direct material cost of $2,000 and direct labor cost of $800. Therefore, the company's overhead application rate is:
A. 40% of direct labor cost.
B. 50% of direct labor cost.
C. 80% of direct labor cost.
D. 200% of direct labor cost.
E. 300% of direct labor cost.

Answer: D

Blooms: Apply
AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

Feedback: WIP = DM + DL + OH
$4,400 = $2,000 + $800 + OH
OH = $1,600; OH rate = $1,600/$800 = 200%

100. A perpetual record of a raw materials item that records data on the quantity and cost of units purchased, units issued for use in production, and units that remain in the raw materials inventory, is called a(n):
A. Materials ledger card.
B. Materials requisition.
C. Purchase order.
D. Materials voucher.
E. Purchase ledger.

Answer: A

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P1
Topic: Materials Cost Flows and Documents

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101. A source document that production managers use to request materials for production and that is used to assign materials costs to specific jobs or to overhead is a:
A. Job cost sheet.
B. Production order.
C. Materials requisition.
D. Materials purchase order.
E. Receiving report.

Answer: C

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P1
Topic: Materials Cost Flows and Documents

102. A company that uses a job order costing system would make the following entry to record the flow of direct materials into production:
A. debit Work in Process Inventory, credit Cost of Goods Sold.
B. debit Work in Process Inventory, credit Raw Materials Inventory.
C. debit Work in Process Inventory, credit Factory Overhead.
D. debit Factory Overhead, credit Raw Materials Inventory.
E. debit Finished Goods Inventory, credit Raw Materials Inventory.

Answer: B

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P1
Topic: Materials Cost Flows and Documents

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103. The Work in Process Inventory account for DG Manufacturing follows. Compute the cost of jobs completed and transferred to Finished Goods Inventory.

	Work in Process Inventory	
Beginning WIP	4,500	
Direct materials	47,100	
Direct labor	29,600	
Applied Overhead	15,800	
Total Manufacturing Costs	97,000	
To Finished Goods		**?**
Ending WIP	8,900	

The cost of units transferred to finished goods is:
A. $ 97,000.
B. $105,900.
C. $ 88,100.
D. $ 95,200.
E. $ 92,500

Answer: C

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P1
Learning Objective: 02-P2
Learning Objective: 02-P3
Topic: Materials Cost Flows and Documents
Topic: Labor Cost Flows and Documents
Topic: Overhead Cost Flows and Documents

Feedback: $4,500 + $47,100 + $29,600 + $15,800 – FG = $8,900; FG = $88,100

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104. A company's overhead rate is 60% of direct labor cost. Using the following incomplete accounts, determine the cost of direct materials used.

Work in Process Inventory

Beginning WIP	100,800	
Direct Materials	**?**	
Direct Labor	**?**	
Applied Overhead	**?**	
To Finished Goods		**?**
Ending WIP	131,040	

Factory Overhead

100,800	90,720

Finished Goods Inventory

Beginning FG	118,200	
	324,800	301,000
Ending FG	142,000	

A. $106,400.
B. $113,120.
C. $ 30,240.
D. $211,680.
E. $324,800.

Answer: B

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P1
Learning Objective: 02-P2
Learning Objective: 02-P3
Topic: Materials Cost Flows and Documents
Topic: Labor Cost Flows and Documents
Topic: Overhead Cost Flows and Documents

Feedback: DL = $90,720/.60 = $151,200
Beg Bal + DM + DL + OH – Tran to FG = End Bal
$100,800 + DM + $151,200 + $90,720 – $324,800 = $131,040; DM = $113,120

Feedback: ***Work in Process Inventory***

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Beginning WIP	*100,800*	
Direct Materials	***113,120***	
Direct Labor	*151,200*	
Applied Overhead	*90,720*	
To Finished Goods		*324,800*
Ending WIP	*131,040*	

Factory Overhead	
100,800	*90,720*

Finished Goods Inventory		
Beginning FG	*118,200*	
	324,800	*301,000*
Ending FG	*142,000*	

105. A company's overhead rate is 200% of direct labor cost. Using the following incomplete accounts, determine the cost of direct materials used.

Work in Process Inventory		
Beginning WIP	50,000	
Direct Materials	**?**	
Direct Labor	**?**	
Applied Overhead	**?**	
To Finished Goods		**?**
Ending WIP	60,000	

Factory Overhead	
138,000	140,000

Finished Goods Inventory		
Beginning FG	40,000	
	265,000	270,000
Ending FG	35,000	

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A. $130,000.
B. $ 65,000.
C. $270,000.
D. $265,000.
E. $280,000.

Answer: B

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P1
Learning Objective: 02-P2
Learning Objective: 02-P3
Topic: Materials Cost Flows and Documents
Topic: Labor Cost Flows and Documents
Topic: Overhead Cost Flows and Documents

Feedback: DL = $140,000/2 = $70,000
Beg Bal + DM + DL + OH – Tran to FG = End Bal
$50,000 + DM + $70,000 + $140,000 – $265,000 = $60,000; DM = $65,000

Feedback:

Work in Process Inventory

Beginning WIP	*50,000*	
Direct Materials	***65,000***	
Direct Labor	*70,000*	
Applied Overhead	*140,000*	
To Finished Goods		*265,000*
Ending WIP	*60,000*	

Factory Overhead

138,000	*140,000*

Finished Goods Inventory

Beginning FG	*40,000*	
	265,000	*270,000*
Ending FG	*35,000*	

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106. A source document that an employee uses to report how much time was spent working on a job or on overhead activities and that is used to determine the amount of direct labor to charge to the job or to determine the amount of indirect labor to charge to factory overhead is called a:
A. Payroll Register.
B. Factory payroll record.
C. General Ledger.
D. Time ticket.
E. Factory Overhead Ledger.

Answer: D

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P2
Topic: Labor Cost Flows and Documents

107. When factory wages payable costs for labor are allocated in a job cost accounting system:
A. Factory Wages Payable is debited and Work in Process Inventory is credited.
B. Work in Process Inventory and Factory Overhead are debited and Factory Wages Payable is credited.
C. Cost of Goods Manufactured is debited and Direct Labor is credited.
D. Direct Labor and Indirect Labor are debited and Factory Wages Payable is credited.
E. Work in Process Inventory is debited and Factory Overhead is credited.

Answer: B

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P2
Topic: Labor Cost Flows and Documents

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108. Oxford Company uses a job order costing system. In the last month, the system accumulated labor time tickets total $24,600 for direct labor and $4,300 for indirect labor. How are these costs recorded?
A. Debit Payroll Expense $28,900; credit Cash $28,900.
B. Debit Payroll Expense $24,600; debit Factory Overhead $4,300; credit Factory Wages Payable $28,900.
C. Debit Work in Process Inventory $24,600; Debit Factory Overhead $4,300; Credit Factory Wages Payable $28,900.
D. Debit Work in Process Inventory $24,600; credit Factory Wages Payable $28,900.
E. Debit Work in Process Inventory $28,900; credit Factory Wages Payable $28,900.

Answer: C

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P2
Topic: Labor Cost Flows and Documents

109. Labor costs in production can be:
A. Direct or indirect.
B. Indirect or sunk.
C. Direct or payroll.
D. Indirect or payroll.
E. Direct or sunk.

Answer: A

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P2
Topic: Labor Cost Flows and Documents

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110. An example of direct labor cost is:
A. Supervisor salary
B. Maintenance worker wages
C. Janitor wages
D. Product assembler wages
E. Accountant salary

Answer: D

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P2
Topic: Labor Cost Flows and Documents

111. A company has an overhead application rate of 125% of direct labor costs. How much overhead would be allocated to a job if it required total labor costing $20,000?
A. $ 5,000.
B. $ 16,000.
C. $ 25,000.
D. $125,000.
E. $250,000.

Answer: C

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

*Feedback: $20,000 * 1.25 = $25,000*

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112. The rate established prior to the beginning of a period that uses estimated overhead and an allocation factor such as estimated direct labor, and that is used to assign overhead cost to jobs, is the:
A. Predetermined overhead rate.
B. Overhead variance rate.
C. Estimated labor cost rate.
D. Chargeable overhead rate.
E. Miscellaneous overhead rate.

Answer: A

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

113. Kayak Company uses a job order costing system and allocates its overhead on the *basis of direct labor costs.* Kayak Company's production costs for the year were: direct labor, $30,000; direct materials, $50,000; and factory overhead applied $6,000. The overhead application rate was:
A. 5.0%.
B. 12.0%.
C. 20.0%.
D. 500.0%.
E. 16.7%.

Answer: C

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

Feedback: OH rate = OH applied/Direct Labor Costs = $6,000/$30,000 = 20%

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114. Lowden Company has an overhead application rate of 160% and allocates overhead based on *direct material cost*. During the current period, direct labor cost is $50,000 and direct materials used cost $80,000. Determine the amount of overhead Lowden Company should record in the current period.
A. $ 31,250
B. $ 50,000
C. $ 80,000.
D. $ 128,000.
E. $ 208,000.

Answer: D

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

*Feedback: $80,000 direct materials * 1.60 = $128,000*

115. The overhead cost applied to a job during a period is recorded with a credit to Factory Overhead and a debit to:
A. Jobs Overhead Expense.
B. Cost of Goods Sold.
C. Finished Goods Inventory.
D. Indirect Labor.
E. Work in Process Inventory.

Answer: E

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

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116. CWN Company uses a job order costing system and last period incurred $80,000 of actual overhead and $100,000 of direct labor. CWN estimates that its overhead next period will be $75,000. It also expects to incur $100,000 of direct labor. If CWN bases applied overhead on direct labor cost, its predetermined overhead rate for the next period should be:
A. 75%.
B. 80%.
C. 107%.
D. 125%.
E. 133%.

Answer: A

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

Feedback: OH rate = $75,000/$100,000 = 75%

117. Cosi Company uses a job order costing system and allocates its overhead on the *basis of direct labor costs.* Cosi expects to incur $800,000 of overhead during the next period, and expects to use 50,000 labor hours at a cost of $10.00 per hour. What is Cosi Company's overhead application rate?
A. 6.25%.
B. 62.5%.
C. 160%.
D. 1600%.
E. 67%.

Answer: C

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

*Feedback: Total DL Cost = 50,000 hours * $10/hr = $500,000*
OH rate = $800,000/$500,000 = 160%

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118. The B&T Company's production costs for May are: direct labor, $13,000; indirect labor, $6,500; direct materials, $15,000; property taxes on production facility, $800; factory heat, lights and power, $1,000; and insurance on plant and equipment, $200. B&T Company's factory overhead incurred for May is:

A. $ 2,000.
B. $ 6,500.
C. $ 8,500.
D. $21,500.
E. $36,500.

Answer: C

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

Feedback:

Indirect labor	*$ 6,500*
Property Taxes	*800*
Heat, light and power	*1,000*
Insurance	*200*
Total OH	*$ 8,500*

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119. Mesa Corp. allocates overhead to production on the basis of direct labor costs. Mesa's total estimated overhead is $450,000 and estimated direct labor is $180,000. Determine the amount of overhead applied to a job which used $20,000 of direct labor.
A. $ 8,000.
B. $20,000.
C. $70,000.
D. $50,000.
E. $90,000.

Answer: D

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

Feedback: OH rate = $450,000/$180,000 = 250%
*OH allocated = 250% * $20,000 = $50,000*

120. Dallas Company uses a job order costing system. The company's executives estimated that direct labor would be $2,000,000 (200,000 hours at $10/hour) and that factory overhead would be $1,500,000 for the current period. At the end of the period, the records show that there had been 180,000 hours of direct labor and $1,200,000 of actual overhead costs. Using *direct labor hours* as a base, what was the predetermined overhead rate?
A. $6.00 per direct labor hour.
B. $7.50 per direct labor hour.
C. $6.67 per direct labor hour.
D. $8.33 per direct labor hour.
E. $7.08 per direct labor hour.

Answer: B

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

Feedback: OH rate = $1,500,000/200,000 hours = $7.50/hour

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121. Using the following accounts and an overhead rate of 90% of direct labor cost, determine the amount of applied overhead.

Work in Process Inventory		
Beginning WIP	17,600	
Direct Materials	52,800	
Direct Labor	**?**	
Applied Overhead	**?**	
To Finished Goods		**?**
Ending WIP	36,080	

Finished Goods Inventory		
Beginning FG	5,200	
	201,520	
Ending FG		

A. $ 79,200.
B. $167,200.
C. $ 34,320.
D. $ 88,000.
E. $ 35,376.

Answer: A

Blooms: Apply
AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

Feedback: $17,600 + 52,800 + DL + OH – 201,520 = $36,080
DL + OH = $167,200
DL + .9DL = $167,200
1.9DL = $167,200; DL = $88,000
$88,000 + OH = $167,200; OH = $79,200

Feedback:

Work in Process Inventory		
Beginning WIP	*17,600*	
Direct Materials	*52,800*	
Direct Labor	*88,000*	
Applied Overhead	***79,200***	

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To Finished Goods		*201,520*
Ending WIP	*36,080*	

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122. If one unit of Product Z2 used $2.50 of direct materials and $3.00 of direct labor, sold for $8.00, and was assigned overhead at the rate of 30% of direct labor costs, how much gross profit was realized from this sale?
A. $8.00.
B. $5.50.
C. $2.50.
D. $1.60.
E. $0.90.

Answer: D

Blooms: Apply
AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

Feedback:

Cost:			
DM	*$2.50*	*Selling Price*	*$8.00*
DL	*3.00*	*Cost*	*6.40*
*OH ($3 * 30%)*	*0.90*	*Gross Profit*	*$1.60*
Total Cost	*$6.40*		

123. The ending inventory of finished goods has a total cost of $9,000 and consists of 600 units. If the overhead applied to these goods is $3,000, and the overhead rate is 75% of direct labor, how much direct materials cost was incurred in producing these units?
A. $3,750.
B. $2,000.
C. $4,000.
D. $6,000.
E. $9,000.

Answer: B

Blooms: Apply
AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

Feedback: DM + DL + OH = Total cost
DM +($3,000/.75)+ $3,000 = $9,000
DM + $4,000 + $3,000 = $9,000; DM = $2,000

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124. At the current year-end, Simply Company found that its overhead was underapplied by $2,500, and this amount was not considered material. Based on this information, Simply should
A. Close the $2,500 to Cost of Goods Sold.
B. Close the $2,500 to Finished Goods Inventory.
C. Do nothing about the $2,500, since it is not material, and it is likely that overhead will be overapplied by the same amount next year.
D. Carry the $2,500 to the income statement as "Other Expense"
E. Carry the $2,500 to the next period.

Answer: A

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

125. If overhead applied is less than actual overhead incurred, it is:
A. Fully applied.
B. Underapplied.
C. Overapplied.
D. Expected.
E. Normal.

Answer: B

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P3
Topic: Underapplied or Overapplied Overhead

126. The amount by which the overhead applied to jobs during a period exceeds the overhead incurred during the period is known as:
A. Adjusted overhead.
B. Estimated overhead.
C. Predetermined overhead.
D. Underapplied overhead.
E. Overapplied overhead.

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Answer: E

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P3
Topic: Underapplied or Overapplied Overhead

127. The amount by which overhead incurred during a period exceeds the overhead applied to jobs is:
A. Balanced overhead.
B. Predetermined overhead.
C. Actual overhead.
D. Underapplied overhead.
E. Overapplied overhead.

Answer: D

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P3
Topic: Underapplied or Overapplied Overhead

128. If a company applies overhead to production with a predetermined overhead rate, a credit balance in the Factory Overhead account at the end of the period means that:
A. The bookkeeper has made an error because the debits don't equal the credits.
B. The balance will be carried forward to the next period as an overhead cost.
C. Actual overhead incurred was less than the overhead amount applied to production.
D. The overhead was underapplied for the period.
E. Actual overhead was greater than the overhead amount applied to production.

Answer: C

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

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129. Marshall Enterprises charged the following amounts of overhead to jobs during the year: $20,000 to jobs still in process, $60,000 to jobs completed but not sold, and $120,000 to jobs finished and sold. At year-end, Marshall Enterprise's Factory Overhead account has a credit balance of $5,000, which is not a material amount. What entry should Marshall make at year-end?

A. No entry is needed.
B. Debit Factory Overhead $5,000; credit Cost of Goods Sold $5,000.
C. Debit Cost of Goods Sold $5,000; credit Factory Overhead $5,000.
D. Debit Factory Overhead $5,000; credit Work in Process Inventory $5,000.
E. Debit Factory Overhead $5,000; credit Finished Goods Inventory $5,000.

Answer: B

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

130. Morris Company applies overhead based on direct labor costs. For the current year, Morris Company estimated total overhead costs to be $400,000, and direct labor costs to be $2,000,000. Actual overhead costs for the year totaled $380,000, and actual direct labor costs totaled $1,800,000. At year-end, the balance in the Factory Overhead account is a:

A. $380,000 Debit balance.
B. $360,000 Debit balance.
C. $20,000 Debit balance.
D. $400,000 Credit balance.
E. $20,000 Credit balance.

Answer: C

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

Feedback: Predetermined overhead rate = $400,000 estimated overhead cost / $2,000,000 estimated direct labor cost = 20%
Overhead incurred, $380,000 – Overhead applied, $360,000

Factory Overhead	
380,000	*360,000*
20,000	

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131. Morris Company applies overhead based on direct labor costs. For the current year, Morris Company estimated total overhead costs to be $400,000, and direct labor costs to be $2,000,000. Actual overhead costs for the year totaled $380,000, and actual direct labor costs totaled $1,800,000. At year-end, Factory Overhead is:
A. Overapplied by $20,000.
B. Overapplied by $190,000.
C. Underapplied by $20,000.
D. Overapplied by $40,000.
E. Neither overapplied nor underapplied.

Answer: C

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

Feedback: Predetermined overhead rate = $400,000 estimated overhead cost / $2,000,000 estimated direct labor cost = 20%
Overhead applied = actual direct labor cost $1,800,000 x 20% = $360,000
Overhead incurred, $380,000 – Overhead applied, $360,000

Factory Overhead	
380,000	*360,000*
20,000	

132. Mango Company applies overhead based on direct labor costs. For the current year, Mango Company estimated total overhead costs to be $300,000, and direct labor costs to be $150,000. Actual overhead costs for the year totaled $330,000, and actual direct labor costs totaled $170,000. At year-end, the balance in the Factory Overhead account is a:
A. $330,000 Debit balance.
B. $170,000 Debit balance.
C. $10,000 Credit balance.
D. $340,000 Credit balance.
E. $10,000 Debit balance.

Answer: C

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

Feedback: Predetermined overhead rate = $300,000 estimated overhead cost / $150,000 estimated direct labor cost = 200%
Applied overhead = $170,000 actual direct labor cost x 200% = $340,000.
Overhead incurred, $330,000 – Overhead applied, $340,000

Factory Overhead	
330,000	*340,000*

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	10.000

133. Mango Company applies overhead based on direct labor costs. For the current year, Mango Company estimated total overhead costs to be $300,000, and direct labor costs to be $150,000. Actual overhead costs for the year totaled $330,000, and actual direct labor costs totaled $170,000. At year-end, Factory Overhead account is:
A. Overapplied by $10,000.
B. Overapplied by $170,000.
C. Underapplied by $10,000.
D. Overapplied by $20,000.
E. Neither overapplied nor underapplied.

Answer: A

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

Feedback: Predetermined overhead rate = $300,000 estimated overhead cost / $150,000 estimated direct labor cost = 200%
Applied overhead = $170,000 actual direct labor cost x 200% = $340,000.
Overhead incurred, $330,000 – Overhead applied, $340,000

Factory Overhead	
330,000	*340,000*
	10.000

134. Clemmens Company applies overhead based on direct labor cost. Estimated overhead and direct labor costs for the year were $112,500 and $125,000, respectively. During the year, actual overhead was $107,400 and actual direct labor cost was $120,000. The entry to close the over- or underapplied overhead at year-end, assuming an immaterial amount, would include:
A. A debit to Cost of Goods Sold for $600.
B. A credit to Factory Overhead for $600.
C. A credit to Finished Goods Inventory for $600.
D. A debit to Work in Process Inventory for $600.
E. A credit to Cost of Goods Sold for $600.

Answer: E

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P4

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Topic: Underapplied or Overapplied Overhead

Feedback: OH = $112,500/$125,000 = 90% of DLC

Actual Overhead	*$107,400*
*Overhead applied (90% * $120,000)*	*108,000*
Overapplied overhead	*$ 600*

135. If overapplied or underapplied overhead is material, it should be disposed of by allocating it to:
A. Cost of goods sold and finished goods inventory.
B. Finished goods inventory and work in process inventory.
C. Work in process inventory, finished goods inventory, and cost of goods sold.
D. Work in process inventory.
E. Raw materials inventory, work in process inventory, and finished goods inventory.

Answer: C

Blooms: Understand
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

136. The Marina Corp. has applied overhead to jobs during the period as follows:

Jobs finished and sold …….	$ 46,000
Jobs started and in process …….	54,000
Jobs finished and unsold …….	100,000

The application of overhead has resulted in a $5,600 credit balance in the Factory Overhead account, and this amount is not material. The entry to dispose of this remaining factory overhead balance is:
A. Debit Cost of Goods Sold $5,600; credit Factory Overhead $5,600.
B. Debit Factory Overhead $5,600; credit Cost of Goods Sold $5,600.
C. Debit Factory Overhead $5,600; credit Work in Process Inventory $5,600.
D. Debit Work in Process Inventory $5,600; credit Factory Overhead $5,600.
E. No entry is needed.

Answer: B

Blooms: Apply

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AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

137. Andrew Industries purchased $165,000 of raw materials on account during the month of March. The beginning Raw Materials Inventory balance was $22,000, and the materials used to complete jobs during the month were $141,000 of direct materials and $13,000 of indirect materials. What is the ending Raw Materials Inventory balance for March?

A. $46,000
B. $11,000
C. $33,000
D. $24,000
E. $9,000

Answer: C

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P1
Topic: Materials Cost Flows and Documents

Feedback: Beginning RM $22,000 + RM Purchased $165,000 – Direct RM used $141,000 – Indirect RM used $13,000 = $33,000 Ending RM Balance

Feedback:

	Raw Materials Inventory	
Beginning RM	*22,000*	
Purchases	*165,000*	
Direct Materials Used		*141,000*
Indirect Materials Used		*13,000*
Ending RM	*33,000*	

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138. Andrew Industries purchased $165,000 of raw materials on account during the month of March. The beginning Raw Materials Inventory balance was $22,000, and the materials used to complete jobs during the month were $141,000 direct materials and $13,000 indirect materials. How should Andrews journalize the purchase of raw materials for March?
A. Debit Raw Materials Inventory $165,000; credit Accounts Payable $165,000
B. Debit Work in Process Inventory $165,000; credit Raw Materials Inventory $165,000
C. Debit Raw Materials Inventory $187,000; credit Cash $187,000
D. Debit Accounts Payable $165,000; credit Raw Materials Inventory $165,000
E. Debit Accounts Payable $187,000; credit Raw Materials Inventory $187,000

Answer: A

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P1
Topic: Materials Cost Flows and Documents

139. .Andrew Industries purchased $165,000 of raw materials on account during the month of March. The beginning Raw Materials Inventory balance was $22,000, and the materials used to complete jobs during the month were $141,000 of direct materials and $13,000 of indirect materials. What amount will Andrew debit to Work in Process Inventory for the month of March?
A. $165,000
B. $154,000
C. $13,000
D. $141,000
E. $33,000

Answer: D

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P1
Topic: Materials Cost Flows and Documents

Feedback: Only direct materials used of $141,000 should be transferred to Work in Process Inventory for March

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140. .Andrew Industries purchased $165,000 of raw materials on account during the month of March. The beginning Raw Materials Inventory balance was $22,000, and the materials used to complete jobs during the month were $141,000 of direct materials and $13,000 of indirect materials. What journal entry should Andrew use to account for direct materials used in March:

A. Debit Raw Materials Inventory $141,000; credit Accounts Payable $141,000.
B. Debit Work in Process Inventory $141,000; credit Raw Materials Inventory $141,000.
C. Debit Work in Process Inventory $141,000; credit Accounts Payable $141,000.
D. Debit Finished Goods Inventory $22,000; credit Raw Materials Inventory $22,000.
E. Debit Raw Materials Inventory $153,000; credit Work in Process Inventory $153,000.

Answer: B

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P1
Topic: Materials Cost Flows and Documents

141. Juarez Builders incurred $285,000 of labor costs for construction jobs completed during the month of August, of which $212,000 was direct and $73,000 was indirect supervisory costs. The correct journal entry to record the direct labor for the month is:

A. Debit Payroll Expense $212,000; credit Cash $212,000.
B. Debit Factory Wages Payable $285,000; credit Work in Process Inventory $212,000.
C. Debit Work in Process Inventory $212,000; credit Cash $285,000.
D. Debit Work in Process Inventory $285,000; credit Factory Wages Payable $285,000.
E. Debit Work in Process Inventory $212,000; credit Factory Wages Payable $212,000

Answer: E

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P2
Topic: Labor Cost Flows and Documents

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142. Juarez Builders incurred $285,000 of labor costs for construction jobs completed during the month of August, of which $212,000 was direct and $73,000 was indirect supervisory costs. The correct journal entry to record the $73,000 indirect labor for the month is:
A. Debit Supervisor Wage Expense; credit Factory Wages Payable.
B. Debit Factory Overhead; credit Factory Wages Payable.
C. Debit Supervisor Wage Expense; credit Factory Overhead.
D. Debit Factory Wages Payable; credit Factory Overhead.
E. Debit Factory Wage Expense; credit Cash.

Answer: B

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P4
Topic: Overhead Cost Flows and Documents

143. Minstrel Manufacturing uses a job order costing system. During one month, Minstrel purchased $198,000 of raw materials on credit; issued materials to production of $195,000 of which $30,000 were indirect. Minstrel incurred a factory payroll of $150,000, of which $40,000 was indirect labor. Minstrel uses a predetermined overhead rate of 150% of direct labor cost. The journal entry to record the purchase of materials is:
A. Debit Raw Materials Inventory $198,000; credit Accounts Payable $198,000.
B. Debit Work in Process Inventory $198,000; credit Accounts Payable $198,000.
C. Debit Raw Materials Inventory $198,000; credit Work in Process Inventory $198,000.
D. Debit Work in Process Inventory $195,000; credit Raw Materials Inventory $195,000.
E. Debit Raw Materials Inventory $198,000; credit Finished Goods Inventory $198,000.

Answer: A

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P1
Topic: Materials Cost Flows and Documents

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144. Minstrel Manufacturing uses a job order costing system. During one month, Minstrel purchased $198,000 of raw materials on credit; issued materials to production of $195,000 of which $30,000 were indirect. Minstrel incurred a factory payroll of $150,000, of which $40,000 was indirect labor. Minstrel uses a predetermined overhead rate of 150% of direct labor cost. The journal entry to record the issuance of materials to production is:
A. Debit Raw Materials Inventory $195,000; credit Accounts Payable $195,000.
B. Debit Work in Process Inventory $195,000; credit Raw Materials Inventory $195,000.
C. Debit Raw Materials Inventory $195,000; credit Work in Process Inventory $195,000.
D. Debit Work in Process Inventory $165,000; debit Factory Overhead $30,000; credit Raw Materials Inventory $195,000.
E. Debit Finished Goods Inventory $195,000; credit Raw Materials Inventory $195,000.

Answer: D

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P1
Topic: Materials Cost Flows and Documents

145. Minstrel Manufacturing uses a job order costing system. During one month, Minstrel purchased $198,000 of raw materials on credit; issued materials to production of $195,000 of which $30,000 were indirect. Minstrel incurred a factory payroll of $150,000, of which $40,000 was indirect labor. Minstrel uses a predetermined overhead rate of 150% of direct labor cost. The journal entry to record the factory payroll is:
A. Debit Work in Process Inventory $150,000; debit Factory Overhead $40,000; credit Factory Wages Payable $190,000.
B. Debit Work in Process Inventory $150,000; credit Cash $150,000.
C. Debit Work in Process Inventory $110,000; debit Factory Overhead $40,000; credit Factory Wages Payable $150,000.
D. Debit Work in Process Inventory $150,000; credit Factory Overhead $40,000; credit Factory Wages Payable $110,000.
E. Debit Work in Process Inventory $110,000; credit Factory Overhead $40,000; credit Factory Wages Payable $150,000.

Answer: C

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P2
Topic: Labor Cost Flows and Documents

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146. Minstrel Manufacturing uses a job order costing system. During one month, Minstrel purchased $198,000 of raw materials on credit; issued materials to production of $195,000 of which $30,000 were indirect. Minstrel incurred a factory payroll of $150,000, of which $40,000 was indirect labor. Minstrel uses a predetermined overhead rate of 150% of direct labor cost. The journal entry to record the payment of the factory payroll is:
A. Debit Work in Process Inventory $150,000; credit Factory Wages Payable $150,000.
B. Debit Work in Process Inventory $150,000; credit Cash $150,000.
C. Debit Factory Wages Payable $150,000; credit Cash $150,000.
D. Debit Factory Overhead $40,000; credit Factory Wages Payable $40,000.
E. Debit Work in Process Inventory $110,000; credit Cash $150,000.

Answer: C

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P2
Topic: Labor Cost Flows and Documents

147. Minstrel Manufacturing uses a job order costing system. During one month Minstrel purchased $198,000 of raw materials on credit; issued materials to production of $195,000 of which $30,000 were indirect. Minstrel incurred a factory payroll of $150,000, of which $40,000 was indirect labor. Minstrel uses a predetermined overhead rate of 150% of direct labor cost. The journal entry to record the application of factory overhead to production is:
A. Debit Work in Process Inventory $225,000; credit Factory Overhead $225,000.
B. Debit Work in Process Inventory $165,000; credit Factory Overhead $165,000.
C. Debit Factory Payroll $150,000; credit Work in Process Inventory $150,000.
D. Debit Factory Overhead $165,000; credit Work in Process Inventory $165,000.
E. Debit Work in Process Inventory $165,000; credit Factory Payroll $165,000.

Answer: B

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents
*Feedback: $110,000 * 1.5 = $165,000*

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148. Minstrel Manufacturing uses a job order costing system. During one month, Minstrel purchased $198,000 of raw materials on credit; issued materials to production of $195,000 of which $30,000 were indirect. Minstrel incurred a factory payroll of $150,000, of which $40,000 was indirect labor. Minstrel uses a predetermined overhead rate of 150% of direct labor cost. The total manufacturing costs added during the period are:
A. $440,000.
B. $470,000.
C. $500,000.
D. $570,000.
E. $540,000.

Answer: A

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: P1
Learning Objective: P2
Learning Objective: 02-P3
Topic: Materials Cost Flows and Documents

*Feedback: $165,000 + $110,000 + ($110,000 * 1.5) = $440,000*

149. Minstrel Manufacturing uses a job order costing system. During one month, Minstrel purchased $198,000 of raw materials on credit; issued materials to production of $195,000 of which $30,000 were indirect. Minstrel incurred a factory payroll of $150,000, of which $40,000 was indirect labor. Minstrel uses a predetermined overhead application rate of 150% of direct labor cost. If Minstrel incurred total overhead costs of $167,800 during the month, compute the amount of under- or overapplied overhead:
A. $2,800 overapplied.
B. $17,800 underapplied.
C. $2,800 underapplied.
D. $17,800 overapplied.
E. $57,200 overapplied.

Answer: C

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

*Feedback: $167,800 – ($110,000 * 1.5) = $2,800*

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150. Minstrel Manufacturing uses a job order costing system. During one month, Minstrel purchased $198,000 of raw materials on credit; issued materials to production of $195,000 of which $30,000 were indirect. Minstrel incurred a factory payroll of $150,000, of which $40,000 was indirect labor. Minstrel uses a predetermined overhead application rate of 150% of direct labor cost. Minstrel's beginning and ending Work in Process Inventory are $15,500 and $27,000 respectively. Compute the cost of product transferred to Finished Goods Inventory:
A. $558,500.
B. $440,000.
C. $413,000.
D. $428,500.
E. $415,000.

Answer: D

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

Feedback: *$165,000 + $110,000 + ($110,000 * 1.5) + 15,500 – $27,000 = $428,500*

151. Finished goods inventory is $190,000. If overhead applied to these goods is $72,000, and the overhead rate is 120% of direct labor, how much direct materials cost was incurred in producing the inventory?
A. $31,600.
B. $58,000.
C. $56,000.
D. $60,000.
E. $86,400.

Answer: B

Blooms: Apply
AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

Feedback: DM + DL + OH = Total cost
DM +($72,000/1.20)+ $72,000 = $190,000
DM + $60,000 + $72,000 = $190,000; DM = $58,000

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152. Adams Manufacturing allocates overhead to production on the basis of direct labor costs. At the beginning of the year, Adams estimated total overhead of $396,000; materials of $410,000 and direct labor of $220,000. During the year Adams incurred $418,000 in materials costs, $413,200 in overhead costs and $224,000 in direct labor costs. Compute the overhead application rate.
A. 180%.
B. 55.6%.
C. 186%.
D. 184%.
E. 96.6%.

Answer: A

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

Feedback: OH rate = $396,000/$220,000 = 180%

153. Adams Manufacturing allocates overhead to production on the basis of direct labor costs. At the beginning of the year, Adams estimated total overhead of $396,000; materials of $410,000 and direct labor of $220,000. During the year Adams incurred $418,000 in materials costs, $413,200 in overhead costs and $224,000 in direct labor costs. Compute the amount of overhead applied to jobs during the year.
A. $396,000.
B. $424,450.
C. $413,190.
D. $413,200.
E. $403,200.

Answer: E

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

*Feedback: OH rate = $396,000/$220,000 = 180%; Applied = $224,000 * 1.8 = $403,200*

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154. Adams Manufacturing allocates overhead to production on the basis of direct labor costs. At the beginning of the year, Adams estimated total overhead of $396,000; materials of $410,000 and direct labor of $220,000. During the year Adams incurred $418,000 in materials costs, $413,200 in overhead costs and $224,000 in direct labor costs. Compute the amount of under- or overapplied overhead for the year.

A. $10,000 overapplied.
B. $17,200 overapplied.
C. $10,000 underapplied.
D. $17,200 underapplied.
E. $4,800 underapplied.

Answer: C

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

Feedback: OH rate = $396,000/$220,000 = 180%
*Applied = $224,000 * 1.8 = $403,200; $413,200 – $403,200 = $10,000 underapplied*

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155. Using the following accounts and an overhead rate of 130% of direct labor cost, compute the amount of applied overhead.

	Work in Process Inventory	
Beginning WIP	35,200	
Direct materials	55,300	
Direct labor	**?**	
Factory Overhead	**?**	
To Finished Goods		203,300
Ending WIP	25,200	

	Finished Goods Inventory	
Beginning FG	5,200	
Cost of Goods Mfg'd	203,300	

A. $ 78,000.
B. $ 60,000.
C. $138,000.
D. $ 71,890.
E. $ 90,500.

Answer: A

Blooms: Apply
AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

Feedback: $35,200 + 55,300 + DL + OH – 203,300 = $25,200
DL + OH = $25,200 – 35,200 – 55,300 + 203,300
DL + OH = $138,000; DL + 1.3DL = $138,000; 2.3DL = $138,000; DL = $60,000
$60,000 + OH = $138,000; OH = $78,000

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156. Portside Watercraft uses a job order costing system. During one month Portside purchased $173,000 of raw materials on credit; issued materials to production of $164,000 of which $24,000 were indirect. Portside incurred a factory payroll of $95,000, of which $25,000 was indirect labor. Portside uses a predetermined overhead rate of 170% of direct labor cost. The journal entry to record the issuance of materials to production is:
A. Debit Raw Materials Inventory $153,000; credit Accounts Payable $153,000.
B. Debit Work in Process Inventory $140,000; debit Factory Overhead $24,000; credit Raw Materials Inventory $164,000.
C. Debit Raw Materials Inventory $195,000; credit Work in Process Inventory $195,000.
D. Debit Work in Process Inventory $140,000; debit Raw Materials Inventory $24,000; credit Materials Inventory $164,000.
E. Debit Finished Goods Inventory $140,000; credit Raw Materials Inventory $140,000.

Answer: B
Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P1
Topic: Materials Cost Flows and Documents

157. Portside Watercraft uses a job order costing system. During one month Portside purchased $173,000 of raw materials on credit; issued materials to production of $164,000 of which $24,000 were indirect. Portside incurred a factory payroll of $95,000, of which $25,000 was indirect labor. Portside uses a predetermined overhead rate of 170% of direct labor cost. The journal entry to record the allocation of factory wages to production is:
A. Debit Work in Process Inventory $95,000; credit Factory Wages Payable $95,000.
B. Debit Work in Process Inventory $95,000; credit Cash $95,000.
C. Debit Factory Wages Payable $95,000; credit Cash $95,000.
D. Debit Work in Process Inventory $70,000; debit Factory Overhead $25,000; credit Factory Wages Payable $95,000.
E. Debit Work in Process Inventory $70,000; debit Factory Overhead $25,000; credit Cash $95,000.

Answer: D

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P2
Topic: Labor Cost Flows and Documents

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158. Portside Watercraft uses a job order costing system. During one month Portside purchased $153,000 of raw materials on credit; issued materials to production of $164,000 of which $24,000 were indirect. Portside incurred a factory payroll of $95,000, of which $25,000 was indirect labor. Portside uses a predetermined overhead rate of 170% of direct labor cost. The journal entry to record the application of factory overhead to production is:
A. Debit Work in Process Inventory $55,800; credit Factory Overhead $55,800.
B. Debit Work in Process Inventory $161,500; credit Factory Overhead $161,500.
C. Debit Work in Process Inventory $119,000; credit Factory Overhead $119,000.
D. Debit Factory Overhead $119,000; credit Work in Process Inventory $119,000.
E. Debit Work in Process Inventory $95,000; credit Factory Payroll $95,000.

Answer: C

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

*Feedback: $70,000 * 1.7 = $119,000*

159. Copy Center pays an average wage of $12 per hour to employees for printing and copying jobs, and allocates $18 of overhead for each employee hour worked. Materials are assigned to each job according to actual cost. If Job M-47 used $350 of materials and took 20 hours of labor to complete, what is the total cost that should be assigned to the job?
A. $590
B. $600
C. $380
D. $950
E. $710

Answer: D

*Feedback: Direct materials $350 + Direct labor ($12 * 20) + Factory overhead ($18 * 20) = $350 + $240 + $360 = $950*

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-A1
Topic: Pricing for Services

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160. Copy Center pays an average wage of $12 per hour to employees for printing and copying jobs, and allocates $18 of overhead for each employee hour worked. Materials are assigned to each job according to actual cost. Jobs are marked up 20% above cost to determine the selling price. If Job M-47 used $350 of materials and took 20 hours of labor to complete, what is the selling price of the job?

A. $852
B. $1,140
C. $456
D. $720
E. $708

Answer: B

*Feedback: Direct materials $350 + Direct labor ($12 * 20) + Factory overhead ($18 * 20) = $350 + $240 + $360 = $950 Total cost*
*$950 * 120% = $1,140*

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-A1
Topic: Pricing for services

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Matching Questions

161. Match the following terms to the appropriate definition.
A. Cost accounting system
B. Time ticket
C. Finished Goods Inventory
D. Materials requisition
E. Underapplied overhead
F. Work in Process Inventory
G. Overapplied overhead
H. Job cost sheet
I. Job order costing system
J. Predetermined overhead rate
K. Materials ledger card

_____ 1. The production of products in response to special orders; also called customized production.
_____ 2. Records manufacturing activities using a perpetual inventory system.
_____ 3. The amount by which the overhead applied to jobs in a period with the predetermined overhead rate exceeds the actual overhead incurred in a period.
_____ 4. An asset account where costs are accumulated while jobs are being produced.
_____ 5. The rate established prior to the beginning of a period that relates estimated overhead to an allocation factor such as estimated direct labor and is used to assign overhead cost to a job.
_____ 6. An asset account where costs of completed jobs reside until the jobs are delivered to customers.
_____ 7. A source document that production managers use to request materials needed for manufacturing and that is used to assign materials costs to specific jobs or to overhead.
_____ 8. A perpetual record that is updated each time units of raw material are purchased and issued for use in production.
_____ 9. A source document that is used to report how much time an employee spent working on a job or on overhead activities and the labor costs to assign to jobs or overhead.
_____10. The amount by which actual overhead incurred in a period exceeds the overhead applied to jobs with the predetermined overhead rate.
_____11. A separate record maintained for each job in a job order costing system; it shows the costs of direct materials, direct labor, and overhead for each job.

Answer:
1. I; 2. A; 3. G; 4. F; 5. J; 6. C; 7. D; 8. K; 9. B; 10. E; 11. H

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Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1Easy
Learning Objective: 02-C1
Learning Objective: 02-C2
Learning Objective: 02-P1
Learning Objective: 02-P2
Learning Objective: 02-P4
Topic: Job Order Costing
Topic: Job Cost Sheet
Topic: Materials Cost Flows and Documents
Topic: Labor Cost Flows and Documents
Topic: Underapplied or Overapplied Overhead

Short Answer Questions

162. What is a cost accounting system? What are the two basic types of cost accounting systems?

Answer: A cost accounting system is an accounting system that uses a perpetual inventory system to continuously update records for costs of materials, work in process, and finished goods inventories. It also provides timely information about inventories and manufacturing costs per unit of product. The two basic types of cost accounting systems are job order costing and process costing.

Blooms: Understand
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-C1
Topic: Job Order Costing

163. Describe the purpose of a job cost sheet, and explain what information is found on the job cost sheet.

Answer: A job cost sheet is a separate record that is maintained for each job. The job cost sheet will include the job number, the customer name, and the costs of the job separated into direct materials, direct labor, and overhead.

Blooms: Understand
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-C1
Topic: Job Order Costing

164. Explain how a service firm, such as an advertising agency, might use job order costing.

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Answer: Since most jobs in a service firm such as an advertising agency have unique requirements, a job order costing system is appropriate. The service firm would estimate the labor required for each customer order, and then add overhead to the estimated labor based on a predetermined overhead rate. This estimated total cost could be used to prepare a bid for a potential customer. Cost of the job is one factor to consider when determining a potential selling price (bid) for a service.

Blooms: Understand
AACSB: Communication
AICPA BB: Industry
AICPA FN: Decision Making
Difficulty: 2 Medium
Learning Objective: 02-A1
Topic: Pricing for Services

165. Describe how materials flow through a job order costing system, and identify the key documents in the system.

Answer: When materials are received from suppliers, they are inspected and counted, and the information is recorded on a *receiving report*. The *materials ledger card* is a perpetual record that keeps track of each item of raw materials. When materials are needed for production, a *materials requisition* is prepared and the materials are issued into production. Direct materials are added to the *job cost sheet*. Indirect materials are added to overhead.

Blooms: Understand
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P1
Topic: Materials Cost Flows and Documents

166. Describe the flow of the raw materials, both direct and indirect, through the inventory accounts from purchase to use.

Answer: When raw materials are purchased, the cost is debited to Raw Materials Inventory. When materials are requisitioned for use, the direct materials are moved from Raw Materials Inventory to Work in Process Inventory and the indirect materials are moved from Raw Materials Inventory to the Factory Overhead account.

Blooms: Understand
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P1
Topic: Materials Cost Flows and Documents

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167. Describe the flow of labor costs in a job order costing system, and identify the documents used in the system.

Answer: Labor costs are classified as either direct or indirect. The flow of direct labor costs in a job order costing system begins by employee tracking their hours worked to specific jobs using *time tickets*. Employees who perform work classified as indirect labor also use time tickets, but their work is not assigned to individual jobs, but to overhead.

Blooms: Understand
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P2
Topic: Labor Cost Flows and Documents

168. Describe the flow of the employee labor, both direct and indirect, through the inventory accounts.

Answer: Direct labor is assigned to jobs using time tickets and is recorded in Work in Process Inventory as it is incurred. The indirect labor that comes from time tickets or salary contracts is recorded in the Factory Overhead account.

Blooms: Understand
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P2
Learning Objective 19-P3
Topic: Labor Cost Flows and Documents
Topic: Overhead Cost Flows and Documents

169. Explain what a predetermined overhead rate is, how it is calculated, and why it is used.

Answer: A predetermined overhead rate is used to apply factory overhead costs to jobs produced during the period. It is calculated by dividing estimated overhead costs for a period by an allocation factor such as estimated direct labor hours. It is used because overhead costs benefit all jobs and cannot be directly related to any one job. In addition, the perpetual inventory system requires an estimate of overhead for timeliness of information for decision making.

Blooms: Understand
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

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170. Explain why the Factory Overhead account for a company may have a difference between the amount debited and the amount credited, resulting in an end of period balance prior to adjustment.

Answer: If a company incurs more actual overhead than it applies to jobs during the period, the Factory Overhead will have an ending debit balance. If a company applies move overhead to jobs than it actually incurs, Factory Overhead will have an ending credit balance.

Blooms: Understand
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

171. Briefly describe how manufacturing firms dispose of overapplied or underapplied factory overhead.

Answer: If overapplied or underapplied overhead is immaterial, the amount of under- or overapplied overhead is closed entirely to Cost of Goods Sold. If the amount is material, it is allocated between Cost of Goods Sold, Finished Goods Inventory, and Work in Process Inventory.

Blooms: Understand
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

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Problems

172. The Merker Manufacturing Company has the following job cost sheets on file. They represent jobs that have been worked on during April of the current year. This table summarizes information provided on each sheet:

Number	Total Cost Incurred	Status of Job
544	$15,050	Finished and delivered
545	$22,400	Finished and delivered
546	$ 7,500	Finished and unsold
547	$ 4,300	Finished and delivered
548	$33,000	Unfinished
549	$62,000	Finished and unsold
550	$14,600	Unfinished
551	$22,200	Finished and delivered
552	$ 3,600	Finished and unsold
553	$ 1,000	Unfinished

(a) What is the cost of goods sold for the month of April?
(b) What is the cost of the Work in Process inventory on April 30?
(c) What is the cost of the finished goods inventory on April 30?

Answer:

(a) Cost of goods sold for April:

Number	*Total Cost Incurred*	*Status of Job*
544	*$15,050*	*Finished and delivered*
545	*$22,400*	*Finished and delivered*
547	*$ 4,300*	*Finished and delivered*
551	*22,200*	*Finished and delivered*
Total	*$63,950*	

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(b) Cost of the Work in Process inventory on April 30:

Number	*Total Cost Incurred*	*Status of Job*
548	*33,000*	*Unfinished*
550	*$14,600*	*Unfinished*
553	*1,000*	*Unfinished*
Total	*$48,600*	

(c) Cost of the finished goods inventory on April 30:

Number	*Total Cost Incurred*	*Status of Job*
546	*$ 7,500*	*Finished and unsold*
549	*62,000*	*Finished and unsold*
552	*3,600*	*Finished and unsold*
Total	*$73,100*	

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-C2
Topic: Job Cost Sheet

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173. The Luna Manufacturing Company has the following job cost sheets on file. They represent jobs that have been worked on during September of the current year. This table summarizes information provided on each sheet:

Number	Total Cost Incurred	Status of Job
951	$ 4,200	Finished and delivered
952	$ 7,700	Unfinished
953	$ 9,300	Finished and unsold
954	$11,100	Finished and delivered
955	$ 3,000	Finished and unsold
956	$ 5,500	Finished and delivered
957	$35,000	Unfinished
958	$ 3,200	Finished and delivered
959	$ 500	Unfinished
960	$22,110	Unfinished
961	$ 7,200	Finished and delivered
962	$ 8,500	Unfinished
963	$11,200	Finished and unsold

(a) What is the cost of the Work in Process inventory on September 30?
(b) What is the cost of the finished goods inventory on September 30?
(c) What is the cost of goods sold for the month of September?

Answer:
(a) Cost of the Work in Process inventory on September 30:

Number	*Total Cost Incurred*	*Status of Job*
952	*$ 7,700*	*Unfinished*
957	*35,000*	*Unfinished*
959	*500*	*Unfinished*
960	*22,110*	*Unfinished*
962	*8,500*	*Unfinished*
Total	*$73,810*	

(b) Cost of the finished goods inventory on September 30:

Number	*Total Cost Incurred*	*Status of Job*
953	*$ 9,300*	*Finished and unsold*
955	*3,000*	*Finished and unsold*
963	*11,200*	*Finished and unsold*
Total	*$23,500*	

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(c) Cost of goods sold for September:

Number	*Total Cost Incurred*	*Status of Job*
951	*$ 4,200*	*Finished and delivered*
954	*11,100*	*Finished and delivered*
956	*5,500*	*Finished and delivered*
958	*3,200*	*Finished and delivered*
961	*7,200*	*Finished and delivered*
Total	*$31,200*	

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-C2
Topic: Job Cost Sheet

174. Chung Corporation uses a job order costing system. Five jobs were worked on during the current year. The predetermined overhead rate is 20% of direct labor costs. The following cost information is available (all materials and time ticket information applies to direct costs):

Job	Materials Requisitions	Time Tickets
101	$66,000	$32,000
102	$63,000	$74,000
103	$39,000	$50,000
104	$32,000	$36,000
105	$53,000	$68,000

Part 1–Complete the job cost sheets for each job.

Job No. 101	Job No. 102	Job No. 103
Materials	Materials	Materials
Labor	Labor	Labor
Overhead	Overhead	Overhead
Total Cost	Total Cost	Total Cost
Status *In Process*	Status *Sold*	Status *Finished*

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Job No. 104		Job No. 105	
Materials		Materials	
Labor		Labor	
Overhead		Overhead	
Total Cost		Total Cost	
Status	*Sold*	Status	*Finished*

Part 2–Identify the amounts of each of the following accounts at the end of the period

a. Work in Process_____
b. Finished Goods_____
c. Cost of Goods Sold_____

Answer:

Part 1

Job No. 101		*Job No. 102*		*Job No. 103*	
Materials	*$ 66,000*	*Materials*	*$ 63,000*	*Materials*	*$ 39,000*
Labor	*$ 32,000*	*Labor*	*$ 74,000*	*Labor*	*$ 50,000*
Overhead	*$ 6,400*	*Overhead*	*$ 14,800*	*Overhead*	*$ 10,000*
Total Cost	*$104,400*	*Total Cost*	*$151,800*	*Total Cost*	*$ 99,000*
Status	*In Process*	*Status*	*Sold*	*Status*	*Finished*

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Job No. 104		Job No. 105	
Materials	$32,000	Materials	$53,000
Labor	$36,000	Labor	$68,000
Overhead	$7,200	Overhead	$13,600
Total Cost	$75,200	Total Cost	$134,600
Status	Sold	Status	Finished

Part 2
a. Work in Process: $104,400 (Job 101)
b. Finished Goods: $233,600 (Job 103 & Job 105)
c. Cost of Goods Sold: $227,000 (Job 102 & Job 104)

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-C2
Learning Objective: 02-P1
Learning Objective: 02-P2
Learning Objective: 02-P3
Topic: Job Cost Sheet
Topic: Materials Cost Flows and Documents
Topic: Labor Cost Flows and Documents
Topic: Overhead Cost Flows and Documents

175. The following data relates to the Mass Company's first operating period. Calculate the total cost of goods sold for each product.

	Cost/unit		Units		Overhead rate (Percent of Direct
Product	Direct Materials	Direct Labor	Produced	Ending Inventory	Labor cost)
A	$10	$12	215	115	60%
B	8	15	330	180	40%
C	14	10	250	200	80%

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Answer:

	A	B	C
Direct materials	*$10.00*	*$ 8.00*	*$14.00*
Direct labor	*12.00*	*15.00*	*10.00*
*Overhead**	*7.20*	*6.00*	*8.00*
Total cost	*$29.20*	*$29.00*	*$32.00*
*Units sold***	*x 100*	*x 150*	*x 50*
Cost of goods sold	*$2,920*	*$4,350*	*$1,600*

** Overhead applied:*
*A: $12.00 * 60% = $7.20; B: $15.00 * 40% = $6.00; C: $10.00 * 80% = $8.00*

*** Units sold*
A: 215 produced – 115 in ending inventory = 100 sold
B: 330 produced – 180 in ending inventory = 150 sold
C: 250 produced – 200 in ending inventory = 50 sold

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-C2
Topic: Job Cost Sheet

176. Southwick Company uses a job order costing system. On November 1, $15,000 of direct materials and $3,500 of indirect materials were requisitioned for production. Prepare the general journal entries to record this requisition.

Answer:

11/1	*Work in Process Inventory ……*	*15,000*	
	Raw Materials Inventory ……		*15,000*
	Factory Overhead ……	*3,500*	
	Raw Materials Inventory ……		*3,500*

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P1
Topic: Materials Cost Flows and Documents

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177. A company that uses a job order costing system incurred $10,000 of factory payroll during May. Present the May 31 entry assuming $8,000 is direct labor and $2,000 is indirect labor.

Answer:

May 31	*Work in Process Inventory ……*	*8,000*	
	Factory Wages Payable ……		*8,000*
	Factory Overhead ……	*2,000*	
	Factory Wages Payable ……		*2,000*

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P2
Topic: Labor Cost Flows and Documents

178. Time tickets for factory employees during the month of August are summarized as follows:

Job 919……	$ 9,800
Job 920……	14,650
Job 921……	12,250
Job 922……	16,000
Total direct labor……	$52,700
Indirect labor……...	16,800
Total labor cost……...	$69,500

Make the necessary journal entries to record factory payroll for direct and indirect labor.

Work in Process ……..	*52,700*	
Factory Wages Payable ……		*52,700*
Factory Overhead ……..	*16,800*	
Factory Wages Payable ……		*16,800*

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2-Medium
Learning Objective: 02-P2
Topic: Labor Cost Flows and Documents

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179. Chumley Advertising Agency contracted with a company to prepare an ad campaign. Chumley uses a job order costing system. Chumley estimates that the job will take 140 designer hours at $90 per hour and 85 staff hours at $45 per hour. Chumley uses two overhead rates in applying overhead to jobs: Designer-related at $100 per designer hour and staff-related at $50 per staff hour. Determine the total estimated cost for this job.

Answer:

Direct labor:		
Designers (140 hours @ $90 per hour)	*$12,600*	
Staff (85 hours @ $45 per hour)	*3,825*	
Total direct labor		*$16,425*
Overhead:		
Designer-related (140 hours @ $100 per hour)	*$14,000*	
Staff-related (85 hours @ $50 per hour)	*4,250*	
Total overhead		*18,250*
Total estimated cost		*$34,675*

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-A1
Learning Objective: 02-P2
Learning Objective: 02-P3
Topic: Pricing Services in a Job Order Cost System
Topic: Labor Cost Flows and Documents
Topic: Overhead Cost Flows and Documents

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180. KL Company uses a job order costing system. During the month of July, the following events occurred:
(a) Purchased raw materials on credit, $32,000.
(b) Raw materials requisitioned: $25,800 as direct materials and $10,500 indirect materials.

(c) Assigned the factory payroll totaling $37,700, which includes $8,200 indirect labor, to jobs and overhead.
Make the necessary journal entries to record the above transactions and events.

Answer:

(a)	*Raw Materials Inventory*	*32,000*	
	Accounts Payable		*32,000*
(b)	*Work in Process Inventory*	*25,800*	
	Raw Materials Inventory		*25,800*
	Factory Overhead	*10,500*	
	Raw Materials Inventory		*10,500*
(c)	*Work in Process Inventory*	*29,500*	
	Factory Wages Payable		*29,500*
	Factory Overhead	*8,200*	
	Factory Wages Payable		*8,200*

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P1
Learning Objective: 02-P2
Topic: Materials Cost Flows and Documents
Topic: Labor Cost Flows and Documents

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181. EXP, Inc. had the following activities during its most recent period of operations:
(a) Purchased raw materials on account for $140,000 (both direct and indirect materials are recorded in the Raw Materials Inventory account).
(b) Issued raw materials to production of $130,000 (80% direct and 20% indirect).
(c) Incurred factory labor costs of $250,000; allocated the factory labor costs to production (70% direct and 30% indirect).
(d) Incurred factory utilities costs of $20,000; this amount is still payable.
(e) Applied overhead at 80% of direct labor costs.
(f) Recorded factory depreciation, $22,000.

Prepare journal entries to record the above transactions.

Answer:

(a)	*Raw Materials Inventory*	*140,000*	
	Accounts Payable		*140,000*
(b)	*Work in Process Inventory*	*104,000*	
	Raw Materials Inventory		*104,000*
	Factory Overhead	*26,000*	
	Raw Materials Inventory		*26,000*
(c)			
	Work in Process Inventory	*175,000*	
	Factory Wages Payable		*175,000*
	Factory Overhead	*75,000*	
	Factory Wages Payable		*75,000*
(d)	*Factory Overhead*	*20,000*	
	Accounts Payable		*20,000*
(e)	*Work in Process Inventory*	*140,000*	
	Factory Overhead		*140,000*
	*($175,000 * 80% = $140,000)*		
(f)	*Factory Overhead*	*22,000*	
	Accumulated Depreciation—Factory		*22,000*

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P1
Learning Objective: 02-P2
Learning Objective: 02-P3
Topic: Materials Cost Flows and Documents
Topic: Labor Cost Flows and Documents
Topic: Overhead Cost Flows and Documents

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182. Lock Production Co. applies factory overhead to production on the basis of direct labor costs. Assume that at the beginning of the current year the company estimated that direct material costs would be $178,800, direct labor costs would be $154,000, and factory overhead costs would be $231,000.

(1) If the $28,000 cost of Lock's Work in Process inventory included $5,200 of direct labor cost, what amount of direct materials cost was included?
(2) If $8,100 of the company's $34,300 finished goods inventory was direct materials cost, determine the direct labor cost and factory overhead cost of the finished goods inventory.

Answer:

(1) Overhead rate: ($231,000/$154,000) = 150%

Total cost of Work in Process inventory ……		*$28,000*
Deduct: Direct labor ……..	*$5,200*	
*Factory overhead ($5,200 * 150%) ……*	*7,800*	*13,000*
Direct materials ……..		*$15,000*

(2) The overhead rate is 150%. (part 1)

Total cost of finished goods inventory ……..	*$34,300*
Direct materials ……..	*8,100*
Direct labor and factory overhead costs ……	*$26,200*

Direct labor + 1.5 (Direct Labor) =$26,200
Direct Labor = $10,480

*OH = DL * 1.5*
*OH = $10,480 * 1.5*
OH = $15,720

Blooms: Apply
AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P1
Learning Objective: 02-P2
Learning Objective: 02-P3
Topic: Materials Cost Flows and Documents
Topic: Labor Cost Flows and Documents
Topic: Overhead Cost Flows and Documents

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183. Prepare journal entries to record the following transactions and events for April using a job order costing system.
(a) Purchased raw materials on credit, $69,000.
(b) Raw materials requisitioned: $26,000 direct and $5,400 indirect.
(c) Factory payroll totaled $46,000, including $9,500 indirect labor.
(d) Paid other actual overhead costs totaling $14,500 cash.
(e) Applied overhead totaling $28,200.
(f) Finished and transferred jobs totaling $77,500.
(g) Jobs costing $58,800 were sold on credit for $103,000.

Answer:

(a)	*Raw Materials Inventory*	*69,000*	
	Accounts Payable		*69,000*
(b)	*Work in Process Inventory*	*26,000*	
	Raw Materials Inventory		*26,000*
	Factory Overhead	*5,400*	
	Raw Materials Inventory		*5,400*
(c)			
	Work in Process Inventory	*36,500*	
	Factory Wages Payable		*36,500*
	Factory Overhead	*9,500*	
	Factory Wages Payable		*9,500*
(d)	*Factory Overhead*	*14,500*	
	Cash		*14,500*
(e)	*Work in Process Inventory*	*28,200*	
	Factory Overhead		*28,200*
(f)	*Finished Goods Inventory*	*77,500*	
	Work in Process Inventory		*77,500*
(g)	*Accounts Receivable*	*103,000*	
	Sales		*103,000*
	Cost of Goods Sold	*58,800*	
	Finished Goods Inventory		*58,800*

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Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P1
Learning Objective: 02-P2
Learning Objective: 02-P3
Topic: Materials Cost Flows and Documents
Topic: Labor Cost Flows and Documents
Topic: Overhead Cost Flows and Documents

184. A company's ending inventory of finished goods has a cost of $45,000 and consists of 750 units. If the overhead applicable to these goods is $8,400, and overhead is applied at the rate of 60% of direct labor, what is the cost of the direct materials used to produce these units?

Answer:

Factory overhead in finished goods inventory …….	*$ 8,400*
Direct labor in finished goods inventory ($8,400/0.60)	*14,000*
Total factory overhead and direct labor ……..	*22,400*
Total job cost ……..	*$45,000*
Factory overhead and direct labor ……..	*22,400*
Direct materials ……..	*$22,600*

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P1
Learning Objective: 02-P2
Learning Objective: 02-P3
Topic: Materials Cost Flows and Documents
Topic: Labor Cost Flows and Documents
Topic: Overhead Cost Flows and Documents

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185. The production of one unit of Product BJM used $27.50 of direct materials and $21.00 of direct labor. The unit sold for $76.00 and was assigned overhead at a rate of 30% of labor costs. What is the gross profit per unit on its sale?

Answer:

Selling price per unit		*$76.00*
Direct materials	*$27.50*	
Direct labor	*21.00*	
*Overhead applied ($21 *.3)*	*6.30*	
Total job cost per unit		*54.80*
Gross profit per unit		*$21.20*

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P1
Learning Objective: 02-P2
Learning Objective: 02-P3
Topic: Materials Cost Flows and Documents
Topic: Labor Cost Flows and Documents
Topic: Overhead Cost Flows and Documents

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186. A company uses a job order costing system and applies overhead on the basis of direct labor cost. A summary of the company's Work in Process Inventory account for December appears below.

Work in Process					
Date	Explanation	PR	Debit	Credit	Balance
Dec. 1					73,800
Dec.	Direct Materials	G-20	235,800		309,600
Dec.	Direct Labor	G-20	117,000		426,600
Dec.	Factory Overhead	G-20	187,200		613,800
Dec.	Job No. 5 completed	G-8		90,900	522,900
Dec.	Job No. 6 completed	G-10		131,400	391,500
Dec.	Job No. 7 completed	G-12		73,800	317,700
Dec. 31	Job No. 8 completed	G-15		168,300	149,400

Fill in the blanks for the following:

(1) The total cost of the direct materials, direct labor, and factory overhead applied in the December 31 Work in Process inventory is $_____.
(2) The company's overhead application rate is _____%
(3) Job No. 6 had $26,550 of direct labor cost. Therefore, the job must have had $_____ of direct materials cost.
(4) Job No. 8 had $73,998 of direct materials cost. Therefore, the job must have had $_____ of factory overhead cost.

Answer:
(1) $149,400 (ending balance of account)
*(2) ($187,200/$117,000) * 100% = 160%*
*(3) $26,550 * 160% = $42,480; $131,400 – $26,550 – $42,480 = $62,370*
(4) $168,300 – $73,998 = $94,302 Direct labor + OH; $94,302/2.60 = $36,270
OH = $94,302 – $36,270 = $58,032

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P1
Learning Objective: 02-P2
Learning Objective: 02-P3
Topic: Materials Cost Flows and Documents
Topic: Labor Cost Flows and Documents
Topic: Overhead Cost Flows and Documents

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187. Heintz Company's job order costing system applies overhead based on direct labor costs. The company's manufacturing costs for the current year were: direct materials, $108,000; direct labor, $144,000; and factory overhead, $36,000. At year-end, the total cost of Work in Process is $38,000, which includes $12,000 of direct labor cost. What amount of direct material cost is included in the ending Work in Process inventory?

Answer:

Direct labor in Work in Process inventory …….	*$12,000*
*Factory overhead in Work in Process inventory ($12,000 * . 25)*	*3,000*
Total factory overhead and direct labor ……..	*15,000*
Total cost in Work in Process inventory ……..	*$38,000*
Factory overhead and direct labor ……..	*15,000*
Direct materials ……	*$23,000*

Overhead rate = $36,000/$144,000 = .25%

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P1
Learning Objective: 02-P2
Learning Objective: 02-P3
Topic: Materials Cost Flows and Documents
Topic: Labor Cost Flows and Documents
Topic: Overhead Cost Flows and Documents

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188. MOB Corp. maintains an internet-based general ledger. Overhead is applied on the basis of direct labor costs. Its bookkeeper accidentally deleted most of the entries that had been recorded for January. A printout of the general ledger (in T-account form) showed the following:

Raw Materials Inventory		Work in Process Inventory	
DR	CR	DR	CR
Ba1.1/1 10,000		Bal 1/1 4,000	f)
a)	b)	c)	
		d)	
		e)	
Bal 17,500		(Bal 1/31) g)	

Accounts Payable		Finished Goods Inventory	
DR	CR	DR	C
h)	Bal. 1/1 5,000	j)	l)
	i)	k)	
	Bal. 1/31 9,000	Bal. 1/31 15,000	

Factory Overhead		Cost of Goods Sold	
DR	CR	DR	CR
m)	n)	o)	

A review of the prior year's financial statements, the current year's budget, and January's source documents produced the following information:

(1) Accounts Payable is used for raw material purchases only. January purchases were $49,000.

(2) Factory overhead costs for January were $17,000 none of which is indirect materials.

(3) The January 1 balance for finished goods inventory was $10,000.

(4) There was a single job in process at January 31 with a cost of $2,000 for direct materials and $1,500 for direct labor.

(5) Total cost of goods manufactured for January was $90,000.

(6) All direct laborers earn the same rate ($13/hour). During January, 2,500 direct labor hours were worked.

(7) The predetermined overhead rate is based on direct labor costs. Budgeted (expected) overhead for the year is $195,000 and budgeted (expected) direct labor is $390,000.

Fill in the missing amounts a through o above in the T-accounts above.

Answer:

Raw Materials Inventory		*Work in Process Inventory*	
DR	*CR*	*DR*	*CR*
Bal 1/1 10,000		*Bal 1/1 4,000*	
a) 49,000	*b) 41,500*	*c) DM 41,500*	

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					d) DL 32,500						
					e) OH 16,250						f) COGM 90,000
Bal 1/31 17,500					g) Bal 1/31 4,250						

Accounts Payable					Finished Goods Inventory				
DR			CR		DR			CR	
h) 45,000			Bal. 1/1 5,000		j) Bal 1/1 10,000				
			i) 49,000						
					k) COGM 90,000			1) 85,000	
			Bal. 1/31 9,000		Bal. 1/31 15,000				

Factory Overhead					Cost of Goods Sold				
DR			CR		DR			CR	
m) OH 17,000			n) OH 16,250		o) 85,000				
(actual)			(applied)						

Blooms: Apply
AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P1
Learning Objective: 02-P2
Learning Objective: 02-P3
Topic: Materials Cost Flows and Documents
Topic: Labor Cost Flows and Documents
Topic: Overhead Cost Flows and Documents

189. Chen Service applied overhead on the basis of direct labor costs during the current year. Overhead applied was $16,500. Actual overhead incurred was $17,200.
(a) Prepare a journal entry to remove this difference assuming that it is not material.
(b) Instead, assume actual overhead incurred was $24,000. Describe (without computations) the alternative procedure that Chen might perform assuming this difference is material.

Answer:

(a)	*Cost of Goods Sold ……..*	*700*	
	Factory Overhead ……		*700*

(b) Since the $7,500 difference is material, it should be allocated among Cost of Goods Sold, Finished Goods Inventory and Work in Process Inventory.

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

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190. Calwell Corp. uses a job order costing system. Four jobs were started during the current year. The following is a record of the costs incurred:

Job #	Material Used	Direct Labor Used	Direct Labor Hours Used
1010	$45,000	$72,000	8,000
1011	59,000	77,000	7,000
1012	35,000	30,000	3,000
1013	26,000	40,000	5,000

Actual overhead costs were $55,800. The predetermined overhead rate is $2.40 per direct labor hour. During the year, Jobs 1010, 1012, and 1013 were completed. Also, Jobs 1010 and 1013 were sold for $387,000. Assuming that this is Calwell's first year of operations:

(a) Make the necessary journal entries to charge the costs to the jobs started and to record the completion and sale of finished jobs.
(b) Calculate the balance in the Work in Process Inventory, Finished Goods Inventory, and Factory Overhead accounts. Does the Factory Overhead account balance indicate an over- or underapplied overhead?

Answer:

Job No.	*Direct materials*	*Direct labor*	*Overhead applied**	*Total job cost*
1010	*$45,000*	*$72,000*	*$19,200*	*$136,200*
1011	*59,000*	*77,000*	*16,800*	*152,800*
1012	*35,000*	*30,000*	*7,200*	*72,200*
1013	*26,000*	*40,000*	*12,000*	*78,000*
Totals	*$165,000*	*$219,000*	*$55,200*	*$439,200*

*Job 1010: 8,000 hours * $2.40/hour = $19,200*
*Job 1011: 7,000 hours * $2.40/hour = $16,800*
*Job 1012: 3,000 hours * $2.40/hour = $7,200*
*Job 1013: 5,000 hours * $2.40/hour = $12,000*

Work in Process Inventory …….	*165,000*	
Raw Materials Inventory …….		*165,000*

Work in Process Inventory …….	*219,000*	
Factory Wages Payable ……		*219,000*

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Work in Process Inventory ……..	*55,200*	
Factory Overhead ……..		*55,200*
Finished Goods Inventory ……	*286,400*	
Work in Process Inventory ……		*286,400*
($136,200 + $72,200 + $78,000) = $286,400		
Cost of Goods Sold ……	*214,200*	
Finished Goods Inventory ……		*214,200*
($136,200 + $78,000 = $214,200)		
Accounts Receivable ……	*387,000*	
Sales ……		*387,000*

(b)	*Work in Process Inventory: Job 1011*	*$152,800*
	Finished Goods: Job 1012	*$72,200*
	Factory Overhead:	
	Applied	*$55,200*
	Actual	*55,800*
		$ 600 debit balance (underapplied)

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P1
Learning Objective: 02-P2
Learning Objective: 02-P3
Learning Objective: 02-P4
Topic: Materials Cost Flows and Documents
Topic: Labor Cost Flows and Documents
Topic: Overhead Cost Flows and Documents
Topic: Underapplied or Overapplied Overhead

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191. The following information is available for the Annum Corporation for the current year:

Cost of goods sold ……..	$292,000
Depreciation of factory equipment …….	25,200
Direct labor ……..……	64,750
Finished goods inventory, Beginning-year ….	45,000
Factory insurance ……	11,200
Factory utilities ……	16,800
Goods transferred from Work in Process Inventory to Finished Goods Inventory ……	285,150
Indirect labor ……	8,400
Raw materials inventory, Beginning-year….....	4,200
Raw materials purchased …….	116,200
Raw materials used in production (includes $7,000 of indirect materials) ….....	121,800
Rent on factory building ……...	22,400

Annum Company uses a predetermined overhead rate of 150% of direct labor cost. Prepare journal entries for the following transactions and events:

(a) Purchase of raw materials on account.
(b) Assignment of materials costs to Work in Process Inventory and Factory Overhead.
(c) Assignment of Factory Payroll to Work in Process Inventory and Factory Overhead.
(d) Recording of other factory overhead. Assume that all items other than depreciation are paid in cash.
(e) Assignment of Factory Overhead to Work in Process Inventory.
(f) Transfer of goods completed to Finished Goods Inventory.
(g) Recording cost of goods sold.
(h) Assignment of over- or underapplied overhead to Cost of Goods Sold.

Answer:

a.	*Raw Materials Inventory …….*	*116,200*	
	Accounts Payable …….		*116,200*
b.	*Work in Process Inventory ……..*	*114,800*	
	Raw Materials Inventory……..		*114,800*
	Factory Overhead ……..	*7,000*	
	Raw Materials Inventory……..		*7,000*
c.	*Work in Process Inventory ……..*	*64,750*	

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	Factory Wages Payable ……..		*64,750*
	Factory Overhead ……	*8,400*	
	Factory Wages Payable ……..		*8,400*
d.	*Factory Overhead ……*	*75,600*	
	Accumulated Depreciation-Factory Equipment...		*25,200*
	Cash ……		*50,400*
e.	*Work in Process Inventory ……..*	*97,125*	
	*Factory Overhead (64,750 * 150%) ……*		*97,125*
f.	*Finished Goods Inventory ……*	*285,150*	
	Work in Process Inventory ……		*285,150*
g.	*Cost of Goods Sold ……*	*292,000*	
	Finished Goods Inventory ……		*292,000*
h.	*Factory Overhead ……*	*6,125*	
	Cost of Goods Sold ……		*6,125*

Actual Overhead = $7,000 + 8,400 + 75,600 = $91,000
Overhead applied = $97,125
Overapplied overhead = $ 6,125

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P1
Learning Objective: 02-P2
Learning Objective: 02-P3
Learning Objective: 02-P4
Topic: Materials Cost Flows and Documents
Topic: Labor Cost Flows and Documents
Topic: Overhead Cost Flows and Documents
Topic: Underapplied or Overapplied Overhead

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192. A company's predetermined overhead rate is applied at 130% of direct labor cost. How much overhead would be allocated to Job No. 105 if it required total direct labor costs of $60,000?

Answer:

*$60,000 * 130% = $78,000*

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

193. A company's predetermined overhead rate is applied at 150% of direct materials cost. How much overhead would be allocated to Job No. 325 if the total direct materials costs was $40,000?

Answer:

*$40,000 * 150% = $60,000*

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

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194. Selected information from the budget of the Singh Corp. at the beginning of the year follows:

Estimated factory overhead.....	$132,000
Estimated direct labor hours.....	55,000 hours
Estimated machine hours……..	41,250 hours
Estimated direct labor cost	$825,000
Actual factory overhead incurred during the year	$144,000

Calculate the predetermined overhead rate if the company uses the following as a basis:

(a) Direct labor hours.
(b) Direct labor cost.
(c) Machine hours.

Answer:

(a) $132,000/55,000 = $2.40 per direct labor hour
(b) $132,000/$825,000 = 16% of direct labor cost
(c) $132,000/41,250 = $3.20 per machine hour

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

195. A manufacturing company uses an overhead rate based on direct labor cost. The company's Work in Process Inventory account has a $15,000 debit balance after all posting is completed, and the cost sheet of the one job still in process shows direct material costs of $6,600 and direct labor costs of $3,000. What is the company's overhead application rate?

Answer: ($15,000 – $6,600 – $3,000)/$3,000 = 180%

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

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196. Nutley Company uses a job order cost system and last period incurred $70,000 of overhead and $100,000 of direct labor. Nutley estimates that its overhead next period will be $65,000. The company also expects to incur $100,000 of direct labor. If Nutley bases its overhead applied on direct labor cost, what should be the overhead rate for the next period?

Answer: $\dfrac{\$65,000}{\$100,000} = 65\%$

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

197. A company's job order costing system applies overhead based on direct labor cost. The company's estimated production costs for were: direct labor, $57,600; direct materials, $76,800; and factory overhead, $9,600. Calculate the company's overhead rate.

Answer:

$\dfrac{\$9,600}{\$57,600} = 16.7\%$

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

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198. The job cost sheet for Job number 83-421 includes the following information:

DIRECT MATERIALS:
7/12 Requisition R88-566: 20 units @ $ 3.50 per unit
7/13 Requisition R88-576: 18 units @ $ 5.00 per unit
7/13 Requisition R88-578: 4 units @ $25.00 per unit
7/14 Requisition R88-591: 40 units @ $ 1.25 per unit

DIRECT LABOR:
7/12 Employee 19: 8 hours @ $ 9.00 per hour
7/13 Employee 19: 6 hours @ $ 9.00 per hour
7/13 Employee 37: 6 hours @ $ 7.00 per hour
7/14 Employee 19: 5 hours @ $ 9.00 per hour
7/14 Employee 92: 5 hours @ $11.00 per hour

FACTORY OVERHEAD: Assigned at 150% of direct labor cost.

What is the total cost of Job number 83-421?

Answer:
Total cost of job:
DIRECT MATERIALS:

7/12 Requisition R88-566: 20 units @ $ 3.50 per unit ...	=	*$ 70*
7/13 Requisition R88-576: 18 units @ $ 5.00 per unit ...	=	*90*
7/13 Requisition R88-578: 4 units @ $25.00 per unit ...	=	*100*
7/14 Requisition R88-591: 40 units @ $ 1.25 per unit ...	=	*50*
Total direct materials cost ……	=	*$310*

DIRECT LABOR:

7/12 Employee 19: 8 hours @ $ 9.00 per hour ……	=	*$ 72*
7/13 Employee 19: 6 hours @ $ 9.00 per hour ……	=	*54*
7/13 Employee 37: 6 hours @ 7.00 per hour ……	=	*42*
7/14 Employee 19: 5 hours @ $ 9.00 per hour ……	=	*45*
7/14 Employee 92: 5 hours @ $11.00 per hour ……	=	*55*
Total direct labor cost ……	=	*$268*

FACTORY OVERHEAD

*150% of direct labor cost (150% * $268) ……*	=	*$402*

TOTAL COST ASSIGNED TO THE JOB	=	*$980*

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Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-C2
Learning Objective: 02-P1
Learning Objective: 02-P2
Learning Objective: 02-P3
Topic: Job Cost Sheet
Topic: Materials Cost Flows and Documents
Topic: Labor Cost Flows and Documents
Topic: Overhead Cost Flows and Documents

199. The following calendar year information about the Tchulahota Corporation is available on December 31:

Advertising expense	$ 28,800
Depreciation of factory equipment	42,320
Depreciation of office equipment	10,800
Direct labor	142,600
Factory utilities	35,650
Interest expense	6,650
Inventories, January 1:	
Raw materials	3,450
Work in Process	17,250
Finished goods	35,600
Inventories, December 31:	
Raw materials	2,300
Work in Process	20,700
Finished goods	31,050
Raw materials purchases	132,450
Rent on factory building	41,400
Indirect labor	51,750
Sales commissions	16,500

The company applies overhead on the basis of 125% of direct labor costs. Calculate the amount of over- or underapplied overhead.

Answer: Factory overhead costs:

Depreciation of factory equipment	*$ 42,320*
Factory utilities	*35,650*
Rent on factory building	*41,400*
Indirect labor	*51,750*
Total actual factory overhead costs	*$171,120*

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*Factory overhead applied (142,600 * 125%) ...*	*$178,250*
Overapplied overhead ……	*$ 7,130*

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P3
Learning Objective: 02-P4
Topic: Overheads Cost Flows and Documents
Topic: Underapplied or Overapplied Overhead

200. The predetermined overhead rate for Foster, Inc., is based on estimated direct labor costs of $400,000 and estimated factory overhead of $500,000. Actual costs incurred were:

Direct materials……..	$240,000
Direct labor……..	410,000
Indirect materials……	55,000
Indirect labor……..	125,000
Sales commissions……	55,000
Factory depreciation……	170,000
Property taxes, factory……...	15,000
Factory utilities……..	35,000
Advertising…….....	62,500
Factory equipment rental……	110,000

(a) Calculate the predetermined overhead rate and calculate the overhead applied during the year.
(b) Determine the amount of over- or underapplied overhead and prepare the journal entry to eliminate the over- or underapplied overhead assuming that it is not material in amount.

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Answer:

(a) Predetermined overhead rate = $500,000/$400,000 = 125% of direct labor cost
*Overhead applied = $410,000 * 125% = $512,500*
(b)

Actual overhead:			
Indirect materials	*$ 55,000*		
Indirect labor	*125,000*		
Factory depreciation	*170,000*		
Property taxes, factory	*15,000*		
Factory utilities	*35,000*		
Factory equipment rental	*110,000*		
Total actual overhead	*$510,000*		
Overhead applied	*512,500*		
Overapplied overhead	*$ 2,500*		
Factory Overhead		*2,500*	
Cost of Goods Sold			*2,500*

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P3
Learning Objective: 02-P4
Topic: Overhead Cost Flows and Documents
Topic: Underapplied or Overapplied Overhead

201. A company charged the following amounts of overhead to jobs during the current year: $12,000 to jobs still in process, $42,000 to jobs completed but not sold, and $66,000 to jobs finished and sold. At year-end, the company's Factory Overhead account has a credit balance of $9,000, which is not a material amount. What entry (if any) should the company make at year-end related to this overhead balance?

Answer:

Dec. 31	*Factory Overhead*	*9,000*	
	Cost of Goods Sold		*9,000*

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

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202. Oddley Corp. uses a job order costing system. The following is selected information pertaining to costs applied to jobs during the year:

Jobs still in process at the end of the year:
$167,000, which includes $65,000 direct labor costs.
Jobs finished and sold during the year:
$395,000, which includes $172,000 direct labor costs.
Jobs finished but unsold during the year:
$103,000, which includes $38,000 direct labor costs.

Oddley Corp.'s predetermined overhead rate is 60% of direct labor cost. At the end of the year, the company's records show that $189,000 of factory overhead has been incurred.

(a) Determine the amount of overapplied or underapplied overhead.
(b) Prepare the necessary journal entry to close the Factory Overhead account assuming that any remaining balance is not material.

Answer:

(a)	*Actual overhead cost ……..*	*$189,000*	
	*Applied overhead (60% * $275,000)* ……..*	*165,000*	
	Underapplied overhead ……..	*$24,000*	
(b)	*Cost of Goods Sold ……*	*$24,000*	
	Factory Overhead ……		*$24,000*

$65,000 + $172,000 + $38,000 =$275,000

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P4
Topic: Underapplied or Overapplied Overhead

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203. Taylor Corp. uses a job order costing system and worked only on Job 101 during the current period. Job 101 was sold for $460,000. The following information pertains to costs incurred for Job 101.

Direct Materials	$90,000
Indirect Materials	$30,000
Direct Labor	$130,000
Indirect Labor	$75,000
Depreciation of Machinery	$10,000
Factory Supplies	$8,000
Overhead Application Rate	90% of direct labor

After adjusting for the amount of over or underapplied overhead, determine the amount of gross profit earned on Job 101.

Answer:

Job Costs:	
Direct Materials	*$ 90,000*
Direct Labor	*130,000*
Overhead	*117,000*
Underapplied Overhead	*6,000* (closed to cost of goods sold)*
Total Cost of Goods Sold	*$343,000*
Gross Profit:	
Sales Price	*$460,000*
Less Cost of Goods Sold	*343,000*
Gross Profit	*$117,000*
**Actual Overhead Incurred:*	
Indirect Materials	*$ 30,000*
Indirect Labor	*75,000*
Depreciation of Machinery	*10,000*
Factory Supplies	*8,000*
Total Actual Overhead	*$ 123,000*
Applied Overhead	*117,000*
Underapplied Overhead	*$ 6,000*

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P1
Learning Objective: 02-P2
Learning Objective: 02-P3
Learning Objective: 02-P4
Topic: Materials Cost Flows and Documents
Topic: Labor Cost Flows and Documents
Topic: Overhead Cost Flows and Documents
Topic: Underapplied or Overapplied Overhead

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204. At the end of June, the job cost sheets for Kennedy Manufacturing show the following total costs accumulated on three custom jobs.

	Job 203	Job 204	Job 205
Direct materials	$32,000	$47,000	$43,000
Direct labor	18,000	22,000	25,000
Overhead	26,100	31,900	36,250

Job 203 was started in production in May and the following costs were assigned to it in May: direct materials, $12,000; direct labor, $6,000; and overhead $8,700. Jobs 204 and 205 are started in June. Overhead cost is applied with a predetermined rate based on direct labor cost. Jobs 203 and 204 are finished in June, and Job 205 will be finished in July. No raw materials are used indirectly in June. Using this information, answer the following questions assuming the company's predetermined overhead rate did not change.

a. What is the cost of the raw materials requisitioned in June for each of the three jobs?
b. How much direct labor cost is incurred during June for each of the three jobs?
c. What predetermined overhead rate is used during June?
d. How much total cost is transferred to finished goods during June?

Answer:

a.	*Materials for Job 203*	*$32,000*	
	Less prior costs	*12,000*	*$20,000*
	Job 204		*47,000*
	Job 205		*43,000*
	Total materials requisitioned		*$110,000*

b.	*Labor for Job 203*	*$18,000*	
	Less prior costs	*6,000*	*$12,000*
	Job 204		*22,000*
	Job 205		*25,000*
	Total direct labor		*$59,000*

c.		***Job 204***	***Job 205***
	Overhead	*$31,900*	*$36,250*
	Direct labor	*22,000*	*25,000*
	Ratio	*145%*	*145%*

d.		***Job 203***	***Job 204***	***Total***
	Direct materials	*$32,000*	*$47,000*	*$79,000*
	Direct labor	*18,000*	*22,000*	*40,000*
	Overhead	*26,100*	*31,900*	*58,000*
		$76,100	*$100,900*	*$177,000*

Blooms: Apply

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AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-C2
Learning Objective: 02-P1
Learning Objective: 02-P2
Learning Objective: 02-P3
Topic: Job Cost Sheet
Topic: Materials Cost Flows and Documents
Topic: Labor Cost Flows and Documents
Topic: Overhead Cost Flows and Documents

205. Booth Manufacturing uses a job order costing system that charges overhead to jobs on the basis of direct material cost. At year-end, the Work in Process Inventory account shows the following.

Date	Explanation	Debit	Credit	Balance
Dec. 31	Direct materials cost	980,000		980,000
31	Direct labor cost	320,000		1,300,000
31	Overhead costs	637,000		1,937,000
31	To finished goods		1,818,000	119,000

a. Determine the overhead rate used (based on direct material cost).
b. Only one job remained in the Work in Process inventory at December 31. Its direct materials cost is $60,000. How much direct labor cost and overhead cost are assigned to it?

Answer:
a. Rate = $637,000/$980,000 = 65%

b.	*Total cost of job in process*	*$119,000*	
	Less materials costs of job in process	*60,000*	*$59,000*
	*Less overhead applied ($60,000 * .65)*		*39,000*
	Direct labor cost		*$20,000*

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

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206. Franklin Manufacturing uses a job order costing system that charges overhead to jobs on the basis of direct labor cost. Franklin used the following cost predictions: overhead costs $1,285,750, and direct labor costs of $695,000. At year-end, the company's records show that actual overhead costs for the year are $1,278,800, and actual direct labor costs are $692,000.
a. Determine the predetermined overhead rate for the year.
b. Compute the amount of overapplied or underapplied overhead.
c. Prepare the adjusting entry to allocate the over- or underapplied overhead assuming the amount is immaterial.

Answer:

a. $1,285,750/$695,000 = 185%
*b. $1,278,800 – ($692,000 * 1.85) = -$1,400 overapplied*

c.	*Factory Overhead*	*1,400*	
	Cost of Goods Sold		*1,400*

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P3
Learning Objective: 02-P4
Topic: Overhead Cost Flows and Documents
Topic: Underapplied or Overapplied Overhead

207. Drop Anchor takes special orders to manufacture sail boats for high end customers. Complete the job cost sheets for Drop Anchor for September based on the following

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information. Prepare journal entries to record the transactions as well as post to the job cost sheets.

a. Purchased raw materials on credit, $145,000.
b. Materials requisitions: Job 240, $48,000; Job 241, $36,000; Job 242, $42,000; indirect materials were $12,000.
c. Time tickets used to charge labor to jobs: Job 240, $40,000; Job 241, $30,000; Job 242, $35,000, indirect labor is $25,000.
d. The company incurred the following additional overhead costs: depreciation of factory building, $70,000; depreciation of factory equipment, $60,000; expired factory insurance, $10,000; utilities and maintenance cost of $20,000 were paid in cash.
e. Applied overhead to all three jobs. The predetermined overhead rate is 190% of direct labor cost.
f. Transferred jobs 240 and 242 to Finished Goods Inventory.
g. Sold job 240 for $300,000 for cash.
h. Closed the under- or over-applied overhead account balance.

Job Cost Sheets

	240	241	242	Total
For the current month				
Direct materials				
Direct labor				
Applied overhead				
Total costs				

Answer:

a.	*Raw Materials Inventory*	*145,000*	
	Accounts Payable		*145,000*
b.	*Work in Process Inventory*	*126,000*	
	Raw Materials Inventory		*126,000*
	Factory Overhead	*12,000*	
	Raw Materials Inventory		*12,000*
c.	*Work in Process Inventory*	*105,000*	
	Factory Wages Payable		*105,000*
	Factory Overhead	*25,000*	
	Factory Wages Payable		*25,000*
d.	*Factory Overhead*	*160,000*	
	Accumulated Depreciation—Factory Building		*70,000*
	Accumulated Depreciation—Factory Equip.		*60,000*

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	Prepaid Insurance		*10,000*
	Cash		*20,000*
e.	*Work in Process Inventory*	*199,500*	
	*Factory Overhead ($105,000 * 190%)*		*199,500*
f.	*Finished Goods Inventory ($164,000 + $143,500)*	*307,500*	
	Work in Process Inventory		*307,500*
g.	*Cash*	*300,000*	
	Sales		*300,000*
	Cost of Goods Sold	*164,000*	
	Finished Goods Inventory		*164,000*
h.	*Factory Overhead*	*2,500*	
	Cost of Goods Sold		*2,500*

Overhead = $12,000 + 25,000 + 160,000 = $197,000
Overhead applied = 199,500
Overapplied overhead = $ 2,500

Job Cost Sheets

	240	***241***	***242***	***Total***
For the current month				
Direct materials	*48,000*	*36,000*	*42,000*	*126,000*
Direct labor	*40,000*	*30,000*	*35,000*	*105,000*
Applied overhead	*76,000*	*57,000*	*66,500*	*199,500*
Total costs	*164,000*	*123,000*	*143,500*	*430,500*

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P1
Learning Objective: 02-P2
Learning Objective: 02-P3
Learning Objective: 02-P4
Topic: Materials Cost Flows and Documents
Topic: Labor Cost Flows and Documents
Topic: Overhead Cost Flows and Documents
Topic: Underapplied or Overapplied Overhead

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208. The predetermined overhead rate for Shilling Manufacturing is based on estimated direct labor costs of $350,000 and estimated factory overhead of $770,000. Actual costs incurred were:

Direct materials	$475,000
Direct labor	347,000
Indirect materials	78,000
Indirect labor	143,500
Sales commissions	150,000
Factory depreciation	260,000
Property taxes, factory	35,000
Factory utilities	65,000
Advertising	62,500
Factory supervision	185,000

a. Calculate the predetermined overhead rate and calculate the overhead applied during the year.
b. Determine the amount of over- or underapplied overhead and prepare the journal entry to eliminate the over- or underapplied overhead assuming that it is not material in amount.

Answer:

a. Predetermined overhead rate = $770,000/$350,000 = 220% of direct labor cost
*Overhead applied = $347,000 * 220% = $763,400*

b.

Actual overhead:	
Indirect materials	*$ 78,000*
Indirect labor	*143,500*
Factory depreciation	*260,000*
Property taxes, factory	*35,000*
Factory utilities	*65,000*
Factory supervision	*185,000*
Total actual overhead	*$766,500*
Overhead applied	*763,400*
Underapplied overhead	*$ 3,100*

Cost of Goods Sold	*3,100*	
Factory Overhead		*3,100*

Blooms: Apply
AACSB: Analytic
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 3 Hard
Learning Objective: 02-P3
Learning Objective: 02-P4
Topic: Overhead Cost Flows and Documents
Topic: Underapplied or Overapplied Overhead

Fill in the Blank Questions

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209. A _____ accounting system records production activities using a perpetual inventory system.

Answer: cost

Feedback: answers must appear in this order

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C1
Topic: Job Order Costing

210. _____, or customized production, produces products in response to customer orders.

Answer: Job order production

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C1
Topic: Job Order Costing

211. A _____ is a separate record maintained for each job.

Answer: job cost sheet

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C2
Topic: Job cost sheet

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212. The collection of job cost sheets for all jobs in process makes up the subsidiary ledger controlled by the _____ Inventory.

Answer: Work in Process

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-C2
Topic: Job cost sheet

213. In a job order costing system, raw materials requisitioned as direct materials are debited to _____; indirect materials are debited to _____.

Answer: Work in Process Inventory; Factory Overhead

Feedback: answers must appear in this order

Blooms: Understand
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 2 Medium
Learning Objective: 02-P1
Topic: Materials Cost Flows and Documents

214. When factory payroll is assigned to specific jobs, _____ is debited.

Answer: Work in Process Inventory

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P2
Topic: Labor Cost Flows and Documents

215. When factory payroll for indirect labor is assigned, _____ is debited.

Answer: Factory Overhead

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P2
Topic: Labor Cost Flows and Documents

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216. A _____ is calculated by relating total estimated factory overhead to an allocation factor such as total estimated direct labor cost, and is used to allocate factory overhead to specific jobs.

Answer: predetermined overhead rate

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

217. When the actual overhead incurred during an accounting period is more than the overhead applied to jobs, the overhead is said to be _____.

Answer: underapplied

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P3
Topic: Overhead Cost Flows and Documents

218. Immaterial amounts of overapplied overhead should be _____ to the _____ account when closed.

Answer: credited, Cost of Goods Sold

Blooms: Remember
AACSB: Communication
AICPA BB: Industry
AICPA FN: Measurement
Difficulty: 1 Easy
Learning Objective: 02-P4
Topic: Underapplied and Overapplied Overhead

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