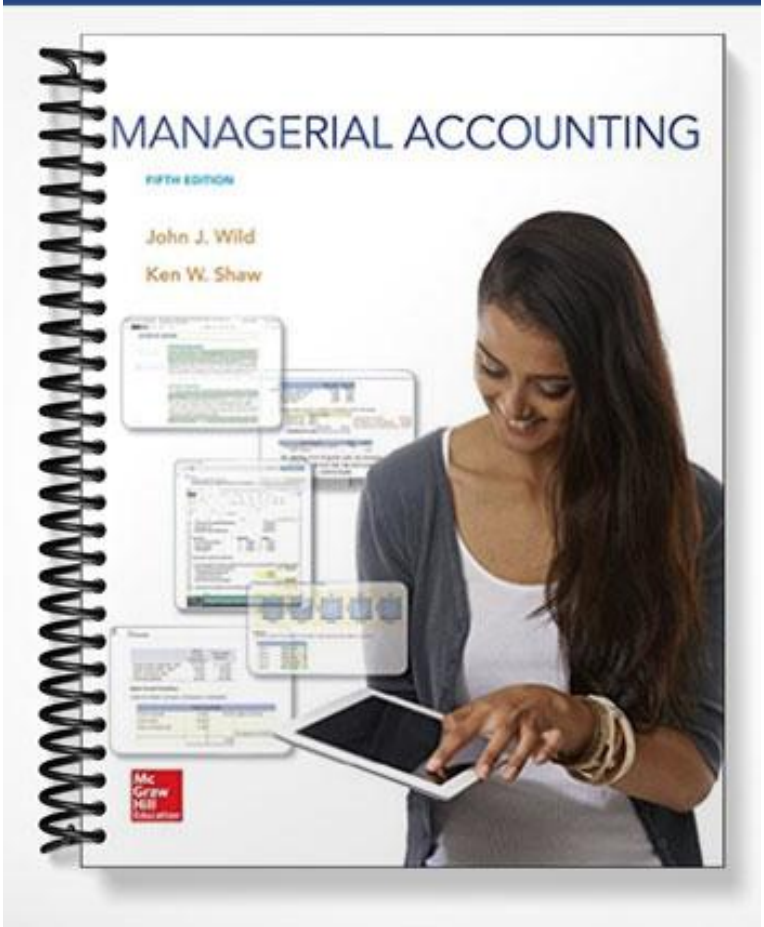
TEST BANK



Chapter 02

Job Order Costing and Analysis

True / False Questions

1. Cost accounting systems accumulate costs and then assigns them to products or services.

   True False

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

   True False

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

   True False

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

   True False

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

   True False

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

True False

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

True False

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

True False

9. 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.

True False

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

True False

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

True False

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12. 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.

True False

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

True False

14. 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.

True False

15. 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.

True False

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

True False

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

True False

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

True False

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

True False

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

True False

21. 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.

True False

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

True False

23. 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.

True False

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

True False

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25. 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.

True False

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

True False

27. A time ticket is a source document an employee uses to record the number of hours at work and that is used each pay period to determine the total labor cost.

True False

28. 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.

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

36. 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.

True False

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

True False

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

True False

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

True False

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

True False

41. 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.

True False

42. 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.

True False

43. 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.

True False

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

True False

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

True False

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

True False

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

True False

48. 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.

True False

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

True False

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

True False

51. 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.

True False

Multiple Choice Questions

52. 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.

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53. 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.

54. Job order costing systems normally use:

A. Periodic inventory systems.

B. Perpetual inventory systems.

C. Real inventory systems.

D. General inventory systems.

E. Any inventory systems is acceptable.

55. 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.

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56. 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.

57. 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.

58. The production activities for a customized product represent a(n):

A. Operation.

B. Job.

C. Unit.

D. Pool.

E. Process.

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59. 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.

60. Job order production is also known as:

A. Mass production.

B. Process production.

C. Unit production.

D. Customized production.

E. Standard costing.

61. 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.

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62. 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.

63. 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

64. 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

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65. 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.

66. 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.

67. 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.

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68. 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.

69. 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.

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70. 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

71. 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

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72. 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

73. 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 materials, direct labor, estimated overhead.

E. Direct materials, direct labor, selling costs.

74. 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.

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75. 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.

76. 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%.

B. 50%.

C. 80%.

D. 200%.

E. 220%.

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77. 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.

78. 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.

79. 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.

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80. 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			
	DR	**CR**	
Beginning balance	4,500		
Direct materials	47,100		
Direct labor	29,600	?	Finished goods
Applied overhead	15,800		
Ending balance	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.

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81. 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				Finished Goods Inventory			
DR		CR		DR		CR	
Beg. Bal.	100,800			Beg. Bal.	118,200		
D.M.	?				324,800		301,000
D.L.	?						
O.H.	?	F.G.	?				
End. Bal.	131,040			End. Bal.	142,000		

Factory Overhead	
DR	CR
93,240	90,720

A. $106,400.

B. $113,120.

C. $30,240.

D. $211,680.

E. $324,800.

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82. 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.

83. When factory payroll costs for labor are allocated in a job cost accounting system:

A. Factory Payroll is debited and Work in Process Inventory is credited.

B. Work in Process Inventory and Factory Overhead are debited and Factory Payroll is credited.

C. Cost of Goods Manufactured is debited and Direct Labor is credited.

D. Direct Labor and Indirect Labor are debited and Factory Payroll is credited.

E. Work in Process Inventory is debited and Factory Payroll is credited.

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84. 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. These costs were accumulated in Factory Payroll as they were paid. Which entry should Oxford make to assign the Factory Payroll?

A. Debit Payroll Expense $28,900; credit Cash $28,900.

B. Debit Payroll Expense $24,600; debit Factory Overhead $4,300; credit Factory Payroll $28,900.

C. Debit Work in Process Inventory $24,600; debit Factory Overhead $4,300; credit Factory Payroll $28,900.

D. Debit Work in Process Inventory $24,600; debit Factory Overhead $4,300; credit Wages Payable $28,900.

E. Debit Work in Process Inventory $28,900; credit Factory Payroll $28,900.

85. 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.

86. An example of direct labor cost is:

A. Supervisor salary

B. Maintenance worker wages

C. Janitor wages

D. Product assembler wages

E. Accountant salary

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87. 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.

88. 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.

89. 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%.

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90. 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.

91. 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.

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92. 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%.

93. 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%.

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94. 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 equipment, $800; 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.

95. 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 to be allocated to finished goods inventory if there is $20,000 of total direct labor cost in the jobs in the finished goods inventory.

A. $8,000.

B. $20,000.

C. $70,000.

D. $50,000.

E. $90,000.

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96. 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.

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

Work in Process Inventory				**Finished Goods Inventory**			
DR		**CR**		**DR**		**CR**	
Beg. Bal.	17,600			Beg. Bal.	5,200		
D.M.	52,800				201,520		
D.L.	?						
O.H.	?	F.G.	?				
End. Bal.	36,080						

A. $79,200.

B. $167,200.

C. $34,320.

D. $88,000.

E. $35,376.

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98. 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.

99. 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.

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100. 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.

101. If overhead applied is less than actual overhead incurred, it is:

A. Fully applied.

B. Underapplied.

C. Overapplied.

D. Expected.

E. Normal.

102. 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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103. 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.

104. 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.

105. 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.

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106. 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.

107. 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.

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108. 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.

109. 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. 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

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110. 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

111. 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. What amount will Andrew transfer 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

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112. 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. 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 $153,000.

113. 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 Factory Wages $285,000; credit Factory Wages Payable $285,000.

E. Debit Work in Process Inventory $212,000; credit Factory Wages Payable $212,000.

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114. 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.

115. 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, paid in cash, 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.

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116. 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, paid in cash, 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.

117. 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, paid in cash, of which $40,000 was indirect labor. Minstrel uses a predetermined overhead rate of 150% of direct labor cost. The journal entry to record 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 Work in Process Inventory $110,000; debit Factory Overhead $40,000; credit Factory Wages Payable $150,000.

E. Debit Work in Process Inventory $110,000; debit Factory Overhead $40,000; credit Cash $150,000.

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118. 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, paid in cash, 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 allocation of the factory payroll to production 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 Work in Process Inventory $110,000; debit Factory Overhead $40,000; credit Factory Wages Payable $150,000.

E. Debit Work in Process Inventory $110,000; debit Factory Overhead $40,000; credit Cash $150,000.

119. 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, paid in cash, 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.

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120. 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, paid in cash, 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.

121. 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, paid in cash, 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.

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122. 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, paid in cash, 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.

123. 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.

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124. 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%.

125. 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.

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126. 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.

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

Work in Process Inventory				**Finished Goods Inventory**			
DR		**CR**		**DR**		**CR**	
Beg. Bal.	35,200			Beg. Bal.	5,200		
D.M.	55,300				203,300		
D.L.	?						
O.H.	?	F.G.	203,300				
End. Bal.	25,200						

A. $78,000.

B. $60,000.

C. $138,000.

D. $71,890.

E. $90,500.

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128. 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, paid in cash, 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.

129. 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, paid in cash, 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 payroll to production is:

A. Debit Work in Process Inventory $95,000; credit Factory Payroll $95,000.

B. Debit Work in Process Inventory $95,000; credit Cash $95,000.

C. Debit Factory Payroll $95,000; credit Cash $95,000.

D. Debit Work in Process Inventory $70,000; debit Factory Overhead $25,000; credit Factory Payroll $95,000.

E. Debit Work in Process Inventory $70,000; debit Factory Overhead $25,000; credit Cash $95,000.

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130. 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, paid in cash, 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.

131. 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

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132. 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 that should be assigned to the job?

A. $852

B. $1,140

C. $456

D. $720

E. $708

Matching Questions

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133. Match the following terms with the appropriate definitions.

1. 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.	Job order costing system	____
2. 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.	Cost accounting 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.	Overapplied overhead	____
4. The production of products in response to special orders; also called customized production.	Work In Process Inventory	____
5. An asset account where costs are accumulated while jobs are being produced.	Predetermined overhead rate	____
6. Records manufacturing activities using a perpetual inventory system.	Finished Goods Inventory	____
7. 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.	Materials requisition	____
8. An asset account where costs of completed jobs reside until the jobs are delivered to customers.	Materials ledger card	____
9. A perpetual record that is updated each	Time ticket	____

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time units of raw material are purchased and issued for use in production.		
10. The amount by which actual overhead incurred in a period exceeds the overhead applied to jobs with the predetermined overhead rate.	Underapplied overhead	____
11. 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.	Job cost sheet	____

Short Answer Questions

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

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

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

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

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

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

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

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

142. Explain why the Factory Overhead account for a company may have a difference between the amount debited and credited at the end an accounting period before adjustment.

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

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Essay Questions

144. 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?

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145. 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?

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146. 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

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 _____

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147. 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 Labor cost)
Product	Direct Materials	Direct Labor	Produced	Ending Inventory	
A	$10	$12	215	115	60%
B	8	15	330	180	40%
C	14	10	250	200	80%

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148. 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.

149. 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.

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

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151. 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.

152. 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.

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153. 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.

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154. 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.

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155. 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.

156. 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?

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157. 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?

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158. 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.

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159. 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?

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160. 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**	
Bal. 1/1	10,000			Bal. 1/1	4,000	g)	
a)		b)		c)			
				d)			
				e)			
	17,500			f)			
Accounts Payable				**Finished Goods Inventory**			
DR		**CR**		**DR**		**CR**	
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)

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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.

161. 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 assuming this difference is material.

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162. 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?

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163. 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.

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164. 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?

165. 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?

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166. 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.

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167. 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?

168. 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?

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169. 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.

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170. 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?

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171. 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.

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172. 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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173. 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?

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174. 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.

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175. 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

Determine the amount of gross profit earned on Job 101.

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176. 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?

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177. 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?

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178. 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 if immaterial.

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179. 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 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				

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180. 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.

Fill in the Blank Questions

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

_____

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

_____

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

_____

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

_____

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

_____

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

_____

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

_____

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188. 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.

_____

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

_____

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

_____

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Chapter 02 Job Order Costing and Analysis Answer Key

True / False Questions

1. Cost accounting systems accumulate costs and then assigns them to products or services.

   TRUE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-C1 Describe important features of job order production.
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.

   FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-C1 Describe important features of job order production.
Topic: Job Order Costing

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

FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-C1 Describe important features of job order production.
Topic: Job Order Costing

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

FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-C1 Describe important features of job order production.
Topic: Job Order Costing

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

FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember

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Difficulty: 1 Easy
Learning Objective: 02-C1 Describe important features of job order production.
Topic: Job Order Costing

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

TRUE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-C1 Describe important features of job order production.
Topic: Job Order Costing

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

FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-C1 Describe important features of job order production.
Topic: Job Order Costing

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

FALSE

AACSB: Communication

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AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-C1 Describe important features of job order production.
Topic: Job Order Costing

9. 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.

TRUE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-C1 Describe important features of job order production.
Topic: Job Order Costing

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

FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Topic: Job Cost Sheet

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

FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Topic: Job Cost Sheet

12. 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.

TRUE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Topic: Job Cost Sheet

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

FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember

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Difficulty: 1 Easy

Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.

Topic: Job Cost Sheet

14. 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.

FALSE

AACSB: Communication

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.

Topic: Job Cost Sheet

15. 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.

TRUE

AACSB: Communication

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.

Topic: Job Cost Sheet

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

FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Topic: Job Cost Sheet

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

FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Topic: Job Cost Sheet

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

FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

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Learning Objective: 02-A1 Apply job order costing in pricing services.

Topic: Pricing for Services

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

FALSE

AACSB: Communication

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-A1 Apply job order costing in pricing services.

Topic: Pricing for Services

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

TRUE

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.

Topic: Materials Cost Flows and Documents

21. 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.

TRUE

AACSB: Communication

AICPA: BB Industry

AICPA: FN Measurement

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Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Topic: Materials Cost Flows and Documents

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

TRUE

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Topic: Materials Cost Flows and Documents

23. 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.

FALSE

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Topic: Materials Cost Flows and Documents

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

TRUE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Topic: Labor Cost Flows and Documents
Topic: Materials Cost Flows and Documents

25. 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.

TRUE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Topic: Labor Cost Flows and Documents

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

FALSE

AACSB: Communication
AICPA: BB Industry

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AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Topic: Labor Cost Flows and Documents

27. A time ticket is a source document an employee uses to record the number of hours at work and that is used each pay period to determine the total labor cost.

FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Topic: Labor Cost Flows and Documents

28. 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.

TRUE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Topic: Labor Cost Flows and Documents

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

FALSE

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Topic: Labor Cost Flows and Documents

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

TRUE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

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

TRUE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

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Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

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

FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

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

FALSE

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

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

TRUE

AACSB: Analytical Thinking

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AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

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

TRUE

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Topic: Overhead Cost Flows and Documents

36. 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.

FALSE

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

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

FALSE

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

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

TRUE

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

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

FALSE

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Remember

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Difficulty: 1 Easy

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Overhead Cost Flows and Documents

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

TRUE

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.

Topic: Underapplied or Overapplied Overhead

41. 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.

TRUE

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.

Topic: Underapplied or Overapplied Overhead

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42. 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.

FALSE

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Topic: Underapplied or Overapplied Overhead

43. 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.

TRUE

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Topic: Underapplied or Overapplied Overhead

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

FALSE

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation

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Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.

Topic: Underapplied or Overapplied Overhead

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

FALSE

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.

Topic: Underapplied or Overapplied Overhead

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

TRUE

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.

Topic: Underapplied or Overapplied Overhead

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

TRUE

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Topic: Underapplied or Overapplied Overhead

48. 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.

TRUE

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

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

FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Remember

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Difficulty: 1 Easy
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

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

FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

51. 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.

FALSE

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-C1 Describe important features of job order production.
Topic: Job Order Costing

Multiple Choice Questions

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52. 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.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-C1 Describe important features of job order production.
Topic: Job Order Costing

53. 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.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-C1 Describe important features of job order production.

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Topic: Job Order Costing

54. Job order costing systems normally use:

A. Periodic inventory systems.
B. Perpetual inventory systems.
C. Real inventory systems.
D. General inventory systems.
E. Any inventory systems is acceptable.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-C1 Describe important features of job order production.
Topic: Job Order Costing

55. 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.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember

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Difficulty: 1 Easy

Learning Objective: 02-C1 Describe important features of job order production.

Topic: Job Order Costing

56. 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.

AACSB: Communication

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 1 Easy

Learning Objective: 02-C1 Describe important features of job order production.

Topic: Job Order Costing

57. 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.

AACSB: Communication

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Remember

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Difficulty: 1 Easy

Learning Objective: 02-C1 Describe important features of job order production.

Topic: Job Order Costing

58. The production activities for a customized product represent a(n):

A. Operation.

B. Job.

C. Unit.

D. Pool.

E. Process.

AACSB: Communication

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-C1 Describe important features of job order production.

Topic: Job Order Costing

59. 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.

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Understand

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Difficulty: 2 Medium

Learning Objective: 02-C1 Describe important features of job order production.

Topic: Job Order Costing

60. Job order production is also known as:

A. Mass production.

B. Process production.

C. Unit production.

D. Customized production.

E. Standard costing.

AACSB: Communication

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-C1 Describe important features of job order production.

Topic: Job Order Costing

61. 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.

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

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Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-C1 Describe important features of job order production.

Topic: Job Order Costing

62. 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.

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-C1 Describe important features of job order production.

Topic: Job Order Costing

63. 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

AACSB: Analytical Thinking

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AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-C1 Describe important features of job order production.

Topic: Job Order Costing

64. 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

AACSB: Communication

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-C1 Describe important features of job order production.

Topic: Job Order Costing

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65. 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.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-C1 Describe important features of job order production.
Topic: Job Order Costing

66. 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.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-C1 Describe important features of job order production.

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Topic: Job Order Costing

67. 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.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Topic: Job Cost Sheet

68. 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.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand

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Difficulty: 2 Medium

Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.

Topic: Job Cost Sheet

69. 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.

Cost of goods sold:	
Job 124:	$1,700
Job 125: ($1,200 + $300)	1,500
	$3,200
Work in Process inventory:	
Job 126:	$900

AACSB: Analytical Thinking

AICPA: BB Industry

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AICPA: FN Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Topic: Job Cost Sheet

70. 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

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.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Topic: Job Cost Sheet

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71. 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

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.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Topic: Job Cost Sheet

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72. 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

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.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Topic: Job Cost Sheet

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73. 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 materials, direct labor, estimated overhead.

E. Direct materials, direct labor, selling costs.

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.

Topic: Job Cost Sheet

74. 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.

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.

Topic: Job Cost Sheet

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75. 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.

WIP = DM + DL + OH

$3,200 = $1,400 + $800 + OH

OH = $3,200 - 1,400 - 800 = $1,000

AACSB: Analytical Thinking

AICPA: BB Critical Thinking

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Overhead Cost Flows and Documents

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76. 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%.

B. 50%.

C. 80%.

D. 200%.

E. 220%.

WIP = DM + DL + OH

$4,400 = $2,000 + $800 + OH

OH = $1,600; OH rate = $1,600/$800 = 200%

AACSB: Analytical Thinking

AICPA: BB Critical Thinking

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Overhead Cost Flows and Documents

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77. 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.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Topic: Materials Cost Flows and Documents

78. 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.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember

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Difficulty: 1 Easy

Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.

Topic: Materials Cost Flows and Documents

79. 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.

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.

Topic: Materials Cost Flows and Documents

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80. 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			
	DR	**CR**	
Beginning balance	4,500		
Direct materials	47,100		
Direct labor	29,600	?	Finished goods
Applied overhead	15,800		
Ending balance	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.

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

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.

Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Labor Cost Flows and Documents

Topic: Materials Cost Flows and Documents

Topic: Overhead Cost Flows and Documents

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81. 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				Finished Goods Inventory			
DR		CR		DR		CR	
Beg. Bal.	100,800			Beg. Bal.	118,200		
D.M.	?				324,800		301,000
D.L.	?						
O.H.	?	F.G.	?				
End. Bal.	131,040			End. Bal.	142,000		

Factory Overhead	
DR	CR
93,240	90,720

A. $106,400.

B. $113,120.

C. $30,240.

D. $211,680.

E. $324,800.

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

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

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Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Labor Cost Flows and Documents
Topic: Materials Cost Flows and Documents
Topic: Overhead Cost Flows and Documents

82. 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.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Topic: Labor Cost Flows and Documents

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83. When factory payroll costs for labor are allocated in a job cost accounting system:

A. Factory Payroll is debited and Work in Process Inventory is credited.

B. Work in Process Inventory and Factory Overhead are debited and Factory Payroll is credited.

C. Cost of Goods Manufactured is debited and Direct Labor is credited.

D. Direct Labor and Indirect Labor are debited and Factory Payroll is credited.

E. Work in Process Inventory is debited and Factory Payroll is credited.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Topic: Labor Cost Flows and Documents

84. 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. These costs were accumulated in Factory Payroll as they were paid. Which entry should Oxford make to assign the Factory Payroll?

A. Debit Payroll Expense $28,900; credit Cash $28,900.

B. Debit Payroll Expense $24,600; debit Factory Overhead $4,300; credit Factory Payroll $28,900.

C. Debit Work in Process Inventory $24,600; debit Factory Overhead $4,300; credit Factory Payroll $28,900.

D. Debit Work in Process Inventory $24,600; debit Factory Overhead $4,300; credit Wages Payable $28,900.

E. Debit Work in Process Inventory $28,900; credit Factory Payroll $28,900.

AACSB: Analytical Thinking

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AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.

Topic: Labor Cost Flows and Documents

85. 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.

AACSB: Communication

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.

Topic: Labor Cost Flows and Documents

86. An example of direct labor cost is:

A. Supervisor salary

B. Maintenance worker wages

C. Janitor wages

D. Product assembler wages

E. Accountant salary

AACSB: Analytical Thinking

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AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.

Topic: Labor Cost Flows and Documents

87. 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.

$20,000 * 1.25 = $25,000

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Overhead Cost Flows and Documents

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88. 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.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

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89. 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%.

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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

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90. 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.

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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

91. 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.

AACSB: Analytical Thinking

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AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

92. 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%.

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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

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93. 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%.

Total DL Cost = 50,000 hours * $10/hr = $500,000

OH rate = $800,000/$500,000 = 160%

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Overhead Cost Flows and Documents

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94. 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 equipment, $800; 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.

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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

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95. 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 to be allocated to finished goods inventory if there is $20,000 of total direct labor cost in the jobs in the finished goods inventory.

A. $8,000.
B. $20,000.
C. $70,000.
D. $50,000.
E. $90,000.

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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

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96. 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.

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

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Overhead Cost Flows and Documents

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

Work in Process Inventory				Finished Goods Inventory			
DR		CR		DR		CR	
Beg. Bal.	17,600			Beg. Bal.	5,200		
D.M.	52,800				201,520		
D.L.	?						
O.H.	?	F.G.	?				
End. Bal.	36,080						

A. $79,200.

B. $167,200.

C. $34,320.

D. $88,000.

E. $35,376.

$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

AACSB: Analytical Thinking

AICPA: BB Critical Thinking

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Overhead Cost Flows and Documents

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98. 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.

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		

AACSB: Analytical Thinking
AICPA: BB Critical Thinking
AICPA: FN Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

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99. 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.

DM + DL + OH = Total cost

DM + ($3,000/.75) + $3,000 = $9,000

DM + $4,000 + $3,000 = $9,000; DM = $2,000

AACSB: Analytical Thinking

AICPA: BB Critical Thinking

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Overhead Cost Flows and Documents

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100. 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.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Topic: Underapplied or Overapplied Overhead

101. If overhead applied is less than actual overhead incurred, it is:

A. Fully applied.
B. Underapplied.
C. Overapplied.
D. Expected.
E. Normal.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

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Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Underapplied or Overapplied Overhead

102. 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.

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 1 Easy

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Underapplied or Overapplied Overhead

103. 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.

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

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Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 1 Easy

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Underapplied or Overapplied Overhead

104. 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.

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.

Topic: Underapplied or Overapplied Overhead

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105. 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.

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.

Topic: Underapplied or Overapplied Overhead

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106. 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.

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

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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Topic: Underapplied or Overapplied Overhead

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107. 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.

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.

Topic: Underapplied or Overapplied Overhead

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108. 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.

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.

Topic: Underapplied or Overapplied Overhead

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109. 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. 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

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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Topic: Materials Cost Flows and Documents

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110. 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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Topic: Materials Cost Flows and Documents

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111. 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. What amount will Andrew transfer 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

Only direct materials used of $141,000 should be transferred to Work In Process Inventory for March.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Topic: Materials Cost Flows and Documents

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112. 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. 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 $153,000.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Topic: Materials Cost Flows and Documents

113. 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 Factory Wages $285,000; credit Factory Wages Payable $285,000.
E. Debit Work in Process Inventory $212,000; credit Factory Wages Payable $212,000.

AACSB: Analytical Thinking
AICPA: BB Industry

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AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Topic: Labor Cost Flows and Documents

114. 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.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Topic: Overhead Cost Flows and Documents

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115. 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, paid in cash, 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.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Topic: Materials Cost Flows and Documents

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116. 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, paid in cash, 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.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Topic: Materials Cost Flows and Documents

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117. 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, paid in cash, of which $40,000 was indirect labor. Minstrel uses a predetermined overhead rate of 150% of direct labor cost. The journal entry to record 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 Work in Process Inventory $110,000; debit Factory Overhead $40,000; credit Factory Wages Payable $150,000.
E. Debit Work in Process Inventory $110,000; debit Factory Overhead $40,000; credit Cash $150,000.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Topic: Labor Cost Flows and Documents

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118. 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, paid in cash, 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 allocation of the factory payroll to production 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 Work in Process Inventory $110,000; debit Factory Overhead $40,000; credit Factory Wages Payable $150,000.
E. Debit Work in Process Inventory $110,000; debit Factory Overhead $40,000; credit Cash $150,000.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Topic: Labor Cost Flows and Documents

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119. 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, paid in cash, 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.

$110,000 * 1.5 = $165,000

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

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120. 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, paid in cash, 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.

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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Materials Cost Flows and Documents

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121. 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, paid in cash, 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.

$167,800 - ($110,000 * 1.5) = $2,800

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Topic: Underapplied or Overapplied Overhead

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122. 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, paid in cash, 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.

$165,000 + $110,000 + ($110,000 * 1.5) + 15,500 - $27,000 = $428,500

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

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123. 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.

DM + DL + OH = Total cost

DM + ($72,000/1.20) + $72,000 = $190,000

DM + $60,000 + $72,000 = $190,000; DM = $58,000

AACSB: Analytical Thinking

AICPA: BB Critical Thinking

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Overhead Cost Flows and Documents

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124. 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%.

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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

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125. 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.

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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

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126. 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.

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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Topic: Underapplied or Overapplied Overhead

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

Work in Process Inventory				Finished Goods Inventory			
DR		CR		DR		CR	
Beg. Bal.	35,200			Beg. Bal.	5,200		
D.M.	55,300				203,300		
D.L.	?						
O.H.	?	F.G.	203,300				
End. Bal.	25,200						

A. $78,000.

B. $60,000.

C. $138,000.

D. $71,890.

E. $90,500.

$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

AACSB: Analytical Thinking

AICPA: BB Critical Thinking

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Overhead Cost Flows and Documents

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128. 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, paid in cash, 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.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Topic: Materials Cost Flows and Documents

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129. 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, paid in cash, 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 payroll to production is:

A. Debit Work in Process Inventory $95,000; credit Factory Payroll $95,000.
B. Debit Work in Process Inventory $95,000; credit Cash $95,000.
C. Debit Factory Payroll $95,000; credit Cash $95,000.
D. Debit Work in Process Inventory $70,000; debit Factory Overhead $25,000; credit Factory Payroll $95,000.
E. Debit Work in Process Inventory $70,000; debit Factory Overhead $25,000; credit Cash $95,000.

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Topic: Labor Cost Flows and Documents

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130. 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, paid in cash, 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.

$70,000 * 1.7 = $119,000

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

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131. 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

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

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-A1 Apply job order costing in pricing services.
Topic: Pricing for Services

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132. 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 that should be assigned to the job?

A. $852

B. $1,140

C. $456

D. $720

E. $708

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

Total cost $950 * 120% = $1,140

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Accessibility: Keyboard Navigation

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-A1 Apply job order costing in pricing services.

Topic: Pricing for Services

Matching Questions

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133. Match the following terms with the appropriate definitions.

1. 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.	Job order costing system	4
2. 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.	Cost accounting system	6
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.	Overapplied overhead	3
4. The production of products in response to special orders; also called customized production.	Work In Process Inventory	5
5. An asset account where costs are accumulated while jobs are being produced.	Predetermined overhead rate	7
6. Records manufacturing activities using a perpetual inventory system.	Finished Goods Inventory	8
7. 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.	Materials requisition	1
8. An asset account where costs of completed jobs reside until the jobs are delivered to customers.	Materials ledger card	9
9. A perpetual record that is updated each	Time ticket	11

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time units of raw material are purchased and issued for use in production.		
10. The amount by which actual overhead incurred in a period exceeds the overhead applied to jobs with the predetermined overhead rate.	Underapplied overhead	10
11. 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.	Job cost sheet	2

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-C1 Describe important features of job order production.
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Topic: Job Cost Sheet
Topic: Job Order Costing
Topic: Labor Cost Flows and Documents
Topic: Materials Cost Flows and Documents
Topic: Underapplied or Overapplied Overhead

Short Answer Questions

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

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.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-C1 Describe important features of job order production.
Topic: Job Order Costing

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

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.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-C1 Describe important features of job order production.
Topic: Job Order Costing

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

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.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Decision Making
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-A1 Apply job order costing in pricing services.
Topic: Pricing for Services

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

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.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Understand
Difficulty: 2 Medium

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Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Topic: Materials Cost Flows and Documents

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

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.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Topic: Materials Cost Flows and Documents

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

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.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Understand

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Difficulty: 2 Medium
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Topic: Labor Cost Flows and Documents

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

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.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Labor Cost Flows and Documents
Topic: Overhead Cost Flows and Documents

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

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.

AACSB: Communication
AICPA: BB Industry

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AICPA: FN Measurement
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

142. Explain why the Factory Overhead account for a company may have a difference between the amount debited and credited at the end an accounting period before adjustment.

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.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

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

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.

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Understand

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Difficulty: 2 Medium

Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.

Topic: Underapplied or Overapplied Overhead

Essay Questions

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144. 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?

(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	

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.

Topic: Job Cost Sheet

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145. 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?

(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

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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	

(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	

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.

Topic: Job Cost Sheet

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146. 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

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 _____

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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

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)

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.

Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.

Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.

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Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Job Cost Sheet

Topic: Labor Cost Flows and Documents

Topic: Materials Cost Flows and Documents

Topic: Overhead Cost Flows and Documents

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147. 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 Labor cost)
Product	Direct Materials	Direct Labor	Produced	Ending Inventory	
A	$10	$12	215	115	60%
B	8	15	330	180	40%
C	14	10	250	200	80%

	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**	× 100	×150	× 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

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

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Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.

Topic: Job Cost Sheet

148. 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.

11/1	Work in Process inventory	15,000	
	Raw materials inventory		15,000
	Factory overhead	3,500	
	Raw materials inventory		3,500

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.

Topic: Materials Cost Flows and Documents

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149. 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.

May 31	Work in Process inventory	8,000	
	Factory Wages Payable		8,000
	Factory overhead	2,000	
	Factory Wages Payable		2,000

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.

Topic: Labor Cost Flows and Documents

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150. 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

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.

Topic: Labor Cost Flows and Documents

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151. 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.

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)	$14,00	
Staff-related (85 hours @ $50 per hour)	4,250	
Total overhead		18,250
Total estimated cost		$34,675

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-A1 Apply job order costing in pricing services.

Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Labor Cost Flows and Documents

Topic: Overhead Cost Flows and Documents

Topic: Pricing Services in a Job Order Cost System

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152. 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.

(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

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

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Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.

Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.

Topic: Labor Cost Flows and Documents

Topic: Materials Cost Flows and Documents

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153. 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.

(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

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	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 ($175,000 * 80% = $140,000)		140,000
(f)	Factory Overhead	22,000	
	Accumulated Depreciation—Factory		22,000

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.

Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Labor Cost Flows and Documents

Topic: Materials Cost Flows and Documents

Topic: Overhead Cost Flows and Documents

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154. 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.

(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

AACSB: Analytical Thinking

AICPA: BB Critical Thinking

AICPA: FN Measurement

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Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.

Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Labor Cost Flows and Documents

Topic: Materials Cost Flows and Documents

Topic: Overhead Cost Flows and Documents

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155. 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.

(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	

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	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

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.

Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Labor Cost Flows and Documents

Topic: Materials Cost Flows and Documents

Topic: Overhead Cost Flows and Documents

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156. 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?

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

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.

Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Labor Cost Flows and Documents

Topic: Materials Cost Flows and Documents

Topic: Overhead Cost Flows and Documents

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157. 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?

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

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.

Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Labor Cost Flows and Documents

Topic: Materials Cost Flows and Documents

Topic: Overhead Cost Flows and Documents

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158. 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.

(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

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AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Labor Cost Flows and Documents
Topic: Materials Cost Flows and Documents
Topic: Overhead Cost Flows and Documents

159. 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?

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%	

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 3 Hard

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Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.

Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Labor Cost Flows and Documents

Topic: Materials Cost Flows and Documents

Topic: Overhead Cost Flows and Documents

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160. 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**	
Bal. 1/1	10,000			Bal. 1/1	4,000	g)	
a)		b)		c)			
				d)			
				e)			
	17,500			f)			
Accounts Payable				**Finished Goods Inventory**			
DR		**CR**		**DR**		**CR**	
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

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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.

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		
				d) DL	32,500		
				e) OH	16,250	g) COGM	90,000
	17,500			f)	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	i)	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)					

AACSB: Analytical Thinking

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AICPA: BB Critical Thinking

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.

Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Labor Cost Flows and Documents

Topic: Materials Cost Flows and Documents

Topic: Overhead Cost Flows and Documents

161. 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 assuming this difference is material.

(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.

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.

Topic: Underapplied or Overapplied Overhead

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162. 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?

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

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Job 1012: 3,000 hours * $2.40/hour = $7,200

Job 1013: 5,000 hours * $2.40/hour = $12,000

(a)

Work in Process Inventory	165,000	
Raw Materials Inventory		165,000
Work in Process Inventory	219,000	
Factory Wages Payable		219,000
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)

AACSB: Analytical Thinking

AICPA: BB Industry

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AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.

Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.

Topic: Labor Cost Flows and Documents

Topic: Materials Cost Flows and Documents

Topic: Overhead Cost Flows and Documents

Topic: Underapplied or Overapplied Overhead

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163. 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.

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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	
	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

AACSB: Analytical Thinking

AICPA: BB Industry

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AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.

Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.

Topic: Labor Cost Flows and Documents

Topic: Materials Cost Flows and Documents

Topic: Overhead Cost Flows and Documents

Topic: Underapplied or Overapplied Overhead

164. 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?

$60,000 * 130% = <u>$78,000</u>

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Overhead Cost Flows and Documents

165. 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?

$40,000 * 150% = <u>$60,000</u>

AACSB: Analytical Thinking

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AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Overhead Cost Flows and Documents

166. 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.

(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

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Overhead Cost Flows and Documents

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167. 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?

($15,000 - $6,600 - $3,000)/$3,000 = 180%

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

168. 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?

$\frac{\$65,000}{\$100,000}$	= 65%

AACSB: Analytical Thinking
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Apply
Difficulty: 1 Easy
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

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169. 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.

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

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Overhead Cost Flows and Documents

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170. 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?

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

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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

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.

Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.

Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Job Cost Sheet

Topic: Labor Cost Flows and Documents

Topic: Materials Cost Flows and Documents

Topic: Overhead Cost Flows and Documents

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171. 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.

Factory overhead costs:	

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

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.

Topic: Overhead Cost Flows and Documents

Topic: Underapplied or Overapplied Overhead

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172. 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.

(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

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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

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.

Topic: Overhead Cost Flows and Documents

Topic: Underapplied or Overapplied Overhead

173. 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?

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

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

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Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.

Topic: Underapplied or Overapplied Overhead

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174. 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.

(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

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AACSB: Analytical Thinking

AICPA: BB Industry

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Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.

Topic: Underapplied or Overapplied Overhead

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175. 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

Determine the amount of gross profit earned on Job 101.

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	

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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	

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.

Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.

Topic: Labor Cost Flows and Documents

Topic: Materials Cost Flows and Documents

Topic: Overhead Cost Flows and Documents

Topic: Underapplied or Overapplied Overhead

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176. 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?

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

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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

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.

Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.

Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Job Cost Sheet

Topic: Labor Cost Flows and Documents

Topic: Materials Cost Flows and Documents

Topic: Overhead Cost Flows and Documents

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177. 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?

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

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

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Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Topic: Overhead Cost Flows and Documents

178. 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 if immaterial.

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

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.

Topic: Overhead Cost Flows and Documents

Topic: Underapplied or Overapplied Overhead

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179. 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 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				

a.	Raw Materials Inventory	145,000	
	Accounts Payable		145,000

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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
	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				

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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

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.

Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.

Topic: Labor Cost Flows and Documents

Topic: Materials Cost Flows and Documents

Topic: Overhead Cost Flows and Documents

Topic: Underapplied or Overapplied Overhead

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180. 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.

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

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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

AACSB: Analytical Thinking

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.

Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.

Topic: Overhead Cost Flows and Documents

Topic: Underapplied or Overapplied Overhead

Fill in the Blank Questions

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

cost

Answers must appear in this order

AACSB: Communication

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Remember

Difficulty: 1 Easy

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Learning Objective: 02-C1 Describe important features of job order production.

Topic: Job Order Costing

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

Job order production

AACSB: Communication

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-C1 Describe important features of job order production.

Topic: Job Order Costing

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

job cost sheet

AACSB: Communication

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.

Topic: Job Cost Sheet

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

Work in Process

AACSB: Communication

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Remember

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Difficulty: 1 Easy

Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.

Topic: Job Cost Sheet

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

Work in Process inventory; factory overhead

Answers must appear in this order

AACSB: Communication

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.

Topic: Materials Cost Flows and Documents

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

Work in Process inventory

AACSB: Communication

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.

Topic: Labor Cost Flows and Documents

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

factory overhead

AACSB: Communication

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AICPA: BB Industry
AICPA: FN Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Topic: Labor Cost Flows and Documents

188. 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.

<u>predetermined overhead rate</u>

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

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

<u>underapplied</u>

AACSB: Communication
AICPA: BB Industry
AICPA: FN Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Topic: Overhead Cost Flows and Documents

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

<u>credited, Cost of Goods Sold</u>

AACSB: Communication

AICPA: BB Industry

AICPA: FN Measurement

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.

Topic: Underapplied or Overapplied Overhead

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