Chapter 02

Job-Order Costing

True / False Questions

1. The use of predetermined overhead rates in a job-order cost system makes it possible to estimate the total cost of a given job as soon as production is completed.

   True False

2. A job cost sheet is used to accumulate costs charged to a job.

   True False

3. The following journal entry would be made to apply overhead cost to jobs in a job-order costing system:

Manufacturing Overhead	XXX	
Work in Process		XXX

   True False

4. Under a job-order cost system the Work in Process account is debited with the cost of materials purchased.

   True False

5. The process of assigning overhead cost to jobs is known as overhead application.

   True False

6. The cost of a completed job in a job-order costing system typically consists of the actual direct materials cost of the job, the actual direct labor cost of the job, and the actual manufacturing overhead cost of the job.

   True False

7. A debit balance in the Manufacturing Overhead account at the end of the year means that manufacturing overhead is overapplied.

   True False

8. Period costs are expensed as incurred, rather than going into the Work in Process account.

   True False

9. Advertising costs should be charged to the Manufacturing Overhead account.

   True False

10. When a job has been completed, the goods are transferred from the production department to the finished goods warehouse and the journal entry would include a credit to Work in Process.

    True False

11. Underapplied or overapplied manufacturing overhead represents the difference between actual overhead costs and applied overhead costs.

    True False

12. Top management salaries should not go into the Manufacturing Overhead account.

    True False

13. If manufacturing overhead applied exceeds the actual manufacturing overhead costs of the period, then manufacturing overhead is overapplied.

    True False

Multiple Choice Questions

14. In computing its predetermined overhead rate, Marple Company inadvertently left its indirect labor costs out of the computation. This oversight will cause:

A. Manufacturing Overhead to be overapplied.
B. the Cost of Goods Manufactured to be understated.
C. the debits to the Manufacturing Overhead account to be understated.
D. the ending balance in Work in Process to be overstated.

15. Which of the following is the correct formula to compute the predetermined overhead rate?

A. Estimated total units in the allocation base divided by estimated total manufacturing overhead costs.
B. Estimated total manufacturing overhead costs divided by estimated total units in the allocation base.
C. Actual total manufacturing overhead costs divided by estimated total units in the allocation base.
D. Estimated total manufacturing overhead costs divided by actual total units in the allocation base.

16. Which of the following would probably be the least appropriate allocation base for allocating overhead in a highly automated manufacturer of specialty valves?

A. machine-hours
B. power consumption
C. direct labor-hours
D. machine setups

17. What document is used to determine the actual amount of direct labor to record on a job cost sheet?

A. time ticket
B. payroll register
C. production order
D. wages payable account

18. A proper journal entry to close overapplied manufacturing overhead to Cost of Goods Sold would be:

A)	Cost of Goods Sold	XXX	
	Work in Process		XXX
B)	Cost of Goods Sold	XXX	
	Manufacturing Overhead		XXX
C)	Cost of Goods Sold	XXX	
	Finished Goods		XXX
D)	Manufacturing Overhead	XXX	
	Cost of Goods Sold		XXX

A. Option A

B. Option B

C. Option C

D. Option D

19. In a job-order costing system, direct labor cost is ordinarily debited to:

A. Manufacturing Overhead.

B. Cost of Goods Sold.

C. Finished Goods.

D. Work in Process.

20. In a job-order costing system, the use of direct materials that have been previously purchased is recorded as a debit to:

A. Raw Materials inventory.

B. Work in Process inventory.

C. Finished Goods inventory.

D. Manufacturing Overhead.

21. The journal entry to record the incurrence of indirect labor costs is:

A)	Wages Payable	XXX	
	Manufacturing Overhead		XXX
B)	Work In Process	XXX	
	Wages Payable		XXX
C)	Manufacturing Overhead	XXX	
	Wages Payable		XXX
D)	Wages Payable	XXX	
	Work In Process		XXX

A. Option A

B. Option B

C. Option C

D. Option D

22. Which of the following accounts is debited when direct labor is recorded?

A. Work in process
B. Salaries and wages expense
C. Salaries and wages payable
D. Manufacturing overhead

23. The balance in the Work in Process account equals:

A. the balance in the Finished Goods inventory account.
B. the balance in the Cost of Goods Sold account.
C. the balances on the job cost sheets of uncompleted jobs.
D. the balance in the Manufacturing Overhead account.

24. In a job-order costing system, indirect materials that have been previously purchased and that are used in production are recorded as a debit to:

A. Work in Process inventory.
B. Manufacturing Overhead.
C. Finished Goods inventory.
D. Raw Materials inventory.

25. Martinez Aerospace Company uses a job-order costing system. The direct materials for Job #045391 were purchased in July and put into production in August. The job was not completed by the end of August. At the end of August, in what account would the direct material cost assigned to Job #045391 be located?

A. raw materials inventory
B. work in process inventory
C. finished goods inventory
D. cost of goods manufactured

26. Which terms will make the following statement true? When manufacturing overhead is overapplied, the Manufacturing Overhead account has a _____ balance and applied manufacturing overhead is greater than _____ manufacturing overhead.

A. debit, actual
B. credit, actual
C. debit, estimated
D. credit, estimated

27. Overapplied manufacturing overhead occurs when:

A. applied overhead exceeds actual overhead.
B. applied overhead exceeds estimated overhead.
C. actual overhead exceeds estimated overhead.
D. budgeted overhead exceeds actual overhead.

28. Daguio Corporation uses direct labor-hours in its predetermined overhead rate. At the beginning of the year, the total estimated manufacturing overhead was $224,580. At the end of the year, actual direct labor-hours for the year were 18,200 hours, manufacturing overhead for the year was underapplied by $12,100, and the actual manufacturing overhead was $219,580. The predetermined overhead rate for the year must have been closest to:

A. $11.40 per machine-hour
B. $12.34 per machine-hour
C. $12.06 per machine-hour
D. $10.53 per machine-hour

29. Wert Corporation uses a predetermined overhead rate based on direct labor cost to apply manufacturing overhead to jobs. Last year, the company's estimated manufacturing overhead was $1,200,000 and its estimated level of activity was 50,000 direct labor-hours. The company's direct labor wage rate is $12 per hour. Actual manufacturing overhead amounted to $1,240,000, with actual direct labor cost of $650,000. For the year, manufacturing overhead was:

A. overapplied by $60,000
B. underapplied by $60,000
C. overapplied by $40,000
D. underapplied by $44,000

30. Crinks Corporation uses direct labor-hours in its predetermined overhead rate. At the beginning of the year, the estimated direct labor-hours were 11,200 hours and the total estimated manufacturing overhead was $259,840. At the end of the year, actual direct labor-hours for the year were 10,800 hours and the actual manufacturing overhead for the year was $254,840. Overhead at the end of the year was:

A. $4,280 overapplied
B. $9,280 overapplied
C. $9,280 underapplied
D. $4,280 underapplied

31. At the beginning of the year, manufacturing overhead for the year was estimated to be $267,500. At the end of the year, actual direct labor-hours for the year were 22,100 hours, the actual manufacturing overhead for the year was $262,500, and manufacturing overhead for the year was overapplied by $13,750. If the predetermined overhead rate is based on direct labor-hours, then the estimated direct labor-hours at the beginning of the year used in the predetermined overhead rate must have been:

A. 22,100 direct labor-hours
B. 19,900 direct labor-hours
C. 21,000 direct labor-hours
D. 21,400 direct labor-hours

32. Brace Corporation uses direct labor-hours in its predetermined overhead rate. At the beginning of the year, the estimated direct labor-hours were 21,600 hours. At the end of the year, actual direct labor-hours for the year were 20,400 hours, the actual manufacturing overhead for the year was $506,920, and manufacturing overhead for the year was underapplied by $23,440. The estimated manufacturing overhead at the beginning of the year used in the predetermined overhead rate must have been:

A. $501,920
B. $531,445
C. $483,480
D. $511,920

33. Yista Corporation uses a predetermined overhead rate based on direct labor-hours to apply manufacturing overhead to jobs. The company estimated manufacturing overhead at $510,000 for the year and direct labor-hours at 100,000 hours. Actual manufacturing overhead costs incurred during the year totaled $540,000. Actual direct labor-hours were 105,000. What was the overapplied or underapplied overhead for the year?

A. $30,000 overapplied

B. $30,000 underapplied

C. $4,500 overapplied

D. $4,500 underapplied

34. Malcolm Company uses a predetermined overhead rate based on direct labor-hours to apply manufacturing overhead to jobs.

On September 1, the estimates for the month were:	
Manufacturing overhead	$17,000
Direct labor-hours	13,600
During September, the actual results were:	
Manufacturing overhead	$18,500
Direct labor-hours	12,000

The cost records for September will show:

A. Overapplied manufacturing overhead of $1,500

B. Underapplied overhead of $1,500

C. Overapplied manufacturing overhead of $3,500

D. Underapplied overhead of $3,500

35. The Work in Process inventory account of a manufacturing firm shows a balance of $3,000 at the end of an accounting period. The job cost sheets of two uncompleted jobs show charges of $500 and $300 for direct materials, and charges of $400 and $600 for direct labor. From this information, it appears that the company is using a predetermined overhead rate, as a percentage of direct labor costs, of:

A. 83%

B. 120%

C. 40%

D. 300%

36. Washtenaw Corporation uses a job-order costing system. The following data are for last year:

Estimated direct labor-hours	12,000
Estimated manufacturing overhead costs	$39,000
Actual direct labor-hours	11,000
Actual manufacturing overhead costs	$37,000

Washtenaw applies overhead using a predetermined rate based on direct labor-hours. What predetermined overhead rate was used last year?

A. $3.55 per direct labor-hour

B. $3.25 per direct labor-hour

C. $3.08 per direct labor-hour

D. $3.36 per direct labor-hour

37. Capalbo Corporation bases its predetermined overhead rate on the estimated labor-hours for the upcoming year. At the beginning of the most recently completed year, the company estimated the labor-hours for the upcoming year at 52,000 labor-hours. The estimated variable manufacturing overhead was $2.78 per labor-hour and the estimated total fixed manufacturing overhead was $1,192,360. The actual labor-hours for the year turned out to be 52,600 labor-hours. The predetermined overhead rate for the recently completed year was closest to:

A. $2.78

B. $25.45

C. $25.71

D. $22.93

38. Compton Company uses a predetermined overhead rate in applying overhead to production orders on a labor cost basis in Department A and on a machine-hours basis in Department B. At the beginning of the most recently completed year, the company made the following estimates:

	Dept. A	Dept. B
Direct labor cost	$56,000	$33,000
Manufacturing overhead	$67,200	$45,000
Direct labor-hours	8,000	9,000
Machine-hours	4,000	15,000

What predetermined overhead rate would be used in Department A and Department B, respectively?

A. 83% and $5

B. 83% and $3

C. 120% and $3

D. 83% and $4

39. Hayne Corporation bases its predetermined overhead rate on the estimated machine-hours for the upcoming year. Data for the most recently completed year appear below:

Estimates made at the beginning of the year:		
Estimated machine-hours	19,000	
Estimated variable manufacturing overhead	$7.89	per machine-hour
Estimated total fixed manufacturing overhead	$465,880	
Actual machine-hours for the year	20,200	

The predetermined overhead rate for the recently completed year was closest to:

A. $7.89

B. $30.95

C. $24.52

D. $32.41

40. The Collins Company uses predetermined overhead rates to apply manufacturing overhead to jobs. The predetermined overhead rate is based on labor cost in Dept. A and machine-hours in Dept. B. At the beginning of the year, the company made the following estimates:

	Dept A	Dept B
Direct labor cost	$65,000	$42,000
Manufacturing overhead	$91,000	$48,000
Direct labor-hours	8,000	10,000
Machine-hours	3,000	12,000

What predetermined overhead rates would be used in Dept A and Dept B, respectively?

A. 71% and $4.00

B. 140% and $4.00

C. 140% and $4.80

D. 71% and $4.80

41. Simoneaux Corporation bases its predetermined overhead rate on the estimated machine-hours for the upcoming year. At the beginning of the most recently completed year, the company estimated the machine-hours for the upcoming year at 22,000 machine-hours. The estimated variable manufacturing overhead was $8.65 per machine-hour and the estimated total fixed manufacturing overhead was $609,400. The predetermined overhead rate for the recently completed year was closest to:

A. $36.35 per machine-hour
B. $27.70 per machine-hour
C. $33.32 per machine-hour
D. $8.65 per machine-hour

42. Kelsh Company uses a predetermined overhead rate based on machine-hours to apply manufacturing overhead to jobs. The company has provided the following estimated costs for next year:

Direct materials	$10,000
Direct labor	$30,000
Sales commissions	$40,000
Salary of production supervisor	$20,000
Indirect materials	$4,000
Advertising expense	$8,000
Rent on factory equipment	$10,000

Kelsh estimates that 5,000 direct labor-hours and 10,000 machine-hours will be worked during the year. The predetermined overhead rate per hour will be:

A. $6.80

B. $6.40

C. $3.40

D. $8.20

43. Kaiser Corporation bases its predetermined overhead rate on the estimated machine-hours for the upcoming year. Data for the upcoming year appear below:

Estimated machine-hours	70,000	
Estimated variable manufacturing overhead	$6.68	per machine-hour
Estimated total fixed manufacturing overhead	$1,283,800	

The predetermined overhead rate for the recently completed year was closest to:

A. $6.68

B. $25.02

C. $25.59

D. $18.34

44. The following data have been recorded for recently completed Job 674 on its job cost sheet. Direct materials cost was $2,039. A total of 32 direct labor-hours and 175 machine-hours were worked on the job. The direct labor wage rate is $14 per labor-hour. The company applies manufacturing overhead on the basis of machine-hours. The predetermined overhead rate is $15 per machine-hour. The total cost for the job on its job cost sheet would be:

A. $2,967

B. $2,487

C. $2,068

D. $5,112

45. Job 731 was recently completed. The following data have been recorded on its job cost sheet:

Direct materials.....	$2,391	
Direct labor-hours.....	69	labor-hours
Direct labor wage rate	$13	per labor-hour
Machine-hours	129	machine-hours

The company applies manufacturing overhead on the basis of machine-hours. The predetermined overhead rate is $14 per machine-hour. The total cost that would be recorded on the job cost sheet for Job 731 would be:

A. $3,288

B. $5,094

C. $4,254

D. $2,418

46. The operations of the Kerry Company resulted in underapplied overhead of $5,000. The entry to close out this balance to Cost of Goods Sold and the effect of the underapplied overhead on Cost of Goods Sold would be:

	Journal Entry			Effect on Cost of Goods Sold
A)	Manufacturing Overhead	5,000		Deduct $5,000
	Cost of Goods Sold		5,000	
B)	Cost of Goods Sold	5,000		Deduct $5,000
	Manufacturing Overhead		5,000	
C)	Cost of Goods Sold	5,000		Add $5,000
	Manufacturing Overhead		5,000	
D)	Manufacturing Overhead	5,000		Add $5,000
	Cost of Goods Sold		5,000	

A. Option A

B. Option B

C. Option C

D. Option D

47. Reichelderfer Corporation has provided data concerning the company's Manufacturing Overhead account for the month of August. Prior to the closing of the overapplied or underapplied balance to Cost of Goods Sold, the total of the debits to the Manufacturing Overhead account was $50,000 and the total of the credits to the account was $72,000. Which of the following statements is true?

A. Manufacturing overhead transferred from Finished Goods to Cost of Goods Sold during the month was $72,000.
B. Manufacturing overhead applied to Work in Process for the month was $50,000.
C. Actual manufacturing overhead for the month was $50,000.
D. Manufacturing overhead for the month was underapplied by $22,000.

48. Hults Corporation has provided data concerning the company's Manufacturing Overhead account for the month of November. Prior to the closing of the overapplied or underapplied balance to Cost of Goods Sold, the total of the debits to the Manufacturing Overhead account was $75,000 and the total of the credits to the account was $57,000. Which of the following statements is true?

A. Manufacturing overhead transferred from Finished Goods to Cost of Goods Sold during the month was $75,000.
B. Actual manufacturing overhead incurred during the month was $57,000.
C. Manufacturing overhead applied to Work in Process for the month was $75,000.
D. Manufacturing overhead for the month was underapplied by $18,000.

49. Vandagriff Corporation has provided data concerning the company's Manufacturing Overhead account for the month of June. Prior to the closing of the overapplied or underapplied balance to Cost of Goods Sold, the total of the debits to the Manufacturing Overhead account was $77,000 and the total of the credits to the account was $64,000. Which of the following statements is true?

A. Manufacturing overhead transferred from Finished Goods to Cost of Goods Sold during the month was $77,000.
B. Manufacturing overhead applied to Work in Process for the month was $64,000.
C. Manufacturing overhead for the month was overapplied by $13,000.
D. Actual manufacturing overhead incurred during the month was $64,000.

50. During October, Crusan Corporation incurred $62,000 of direct labor costs and $4,000 of indirect labor costs. The journal entry to record the accrual of these wages would include a:

A. debit to Work in Process of $66,000
B. credit to Work in Process of $66,000
C. debit to Work in Process of $62,000
D. credit to Work in Process of $62,000

51. During December at Ingrim Corporation, $74,000 of raw materials were requisitioned from the storeroom for use in production. These raw materials included both direct and indirect materials. The indirect materials totaled $6,000. The journal entry to record the requisition from the storeroom would include a:

A. debit to Raw Materials of $74,000
B. debit to Work in Process of $68,000
C. credit to Manufacturing Overhead of $6,000
D. debit to Work in Process of $74,000

52. Stickles Corporation incurred $79,000 of actual Manufacturing Overhead costs during August. During the same period, the Manufacturing Overhead applied to Work in Process was $75,000. The journal entry to record the incurrence of the actual Manufacturing Overhead costs would include a:

A. debit to Manufacturing Overhead of $79,000
B. credit to Manufacturing Overhead of $79,000
C. credit to Work in Process of $75,000
D. debit to Work in Process of $75,000

53. Valles Corporation had $22,000 of raw materials on hand on February 1. During the month, the company purchased an additional $75,000 of raw materials. The journal entry to record the purchase of raw materials would include a:

A. credit to Raw Materials of $97,000
B. debit to Raw Materials of $97,000
C. credit to Raw Materials of $75,000
D. debit to Raw Materials of $75,000

54. Wedd Corporation had $35,000 of raw materials on hand on May 1. During the month, the company purchased an additional $68,000 of raw materials. During May, $92,000 of raw materials were requisitioned from the storeroom for use in production. These raw materials included both direct and indirect materials. The indirect materials totaled $5,000. The debits to the Work in Process account as a consequence of the raw materials transactions in May total:

A. $92,000
B. $0
C. $68,000
D. $87,000

55. During February, Degan Inc. transferred $60,000 from Work in Process to Finished Goods and recorded a Cost of Goods Sold of $65,000. The journal entries to record these transactions would include a:

A. debit to Finished Goods of $65,000

B. credit to Cost of Goods Sold of $65,000

C. credit to Work in Process of $60,000

D. credit to Finished Goods of $60,000

56. Kirson Corporation incurred $89,000 of actual Manufacturing Overhead costs during December. During the same period, the Manufacturing Overhead applied to Work in Process was $92,000. The journal entry to record the application of Manufacturing Overhead to Work in Process would include a:

A. debit to Manufacturing Overhead of $92,000

B. debit to Work in Process of $89,000

C. credit to Manufacturing Overhead of $92,000

D. credit to Work in Process of $89,000

57. At the beginning of August, Hogancamp Corporation had $26,000 of raw materials on hand. During the month, the company purchased an additional $73,000 of raw materials. During August, $77,000 of raw materials were requisitioned from the storeroom for use in production. The credits to the Raw Materials account for the month of August total:

A. $73,000
B. $77,000
C. $99,000
D. $26,000

58. During July at Tiner Corporation, $74,000 of raw materials were requisitioned from the storeroom for use in production. These raw materials included both direct and indirect materials. The indirect materials totaled $7,000. The journal entry to record this requisition would include a debit to Manufacturing Overhead of:

A. $0
B. $74,000
C. $7,000
D. $67,000

59. On February 1, Caddell Corporation had $28,000 of raw materials on hand. During the month, the company purchased an additional $70,000 of raw materials. During February, $81,000 of raw materials were requisitioned from the storeroom for use in production. The debits to the Raw Materials account for the month of February total:

A. $98,000
B. $70,000
C. $28,000
D. $81,000

60. In May, Hervey Inc. incurred $60,000 of direct labor costs and $3,000 of indirect labor costs. The journal entry to record the accrual of these wages would include a:

A. credit to Manufacturing Overhead of $3,000
B. debit to Work in Process of $63,000
C. credit to Work in Process of $63,000
D. debit to Manufacturing Overhead of $3,000

61. The Donaldson Company uses a job-order costing system. The following data were recorded for July:

Job Number	July 1 Work in Process Inventory	Added During July	
		Direct Materials	Direct Labor
475	$1,500	$500	$300
476	$1,000	$700	$900
477	$900	$1,000	$1,500
478	$700	$1,200	$2,000

Overhead is applied to jobs at the rate of 80% of direct materials cost. Jobs 475, 477, and 478 were completed during July and transferred to finished goods. Jobs 475 and 478 have been delivered to the customer. Donaldson's Work in Process inventory balance on July 31 was:

A. $7,280

B. $2,600

C. $3,160

D. $3,320

62. Pinnini Co. uses a predetermined overhead rate based on direct labor-hours to apply manufacturing overhead to jobs. Last year, Pinnini Company incurred $225,000 in actual manufacturing overhead cost. The Manufacturing Overhead account showed that overhead was overapplied $14,500 for the year. If the predetermined overhead rate was $5.00 per direct labor-hour, how many hours did the company work during the year?

A. 45,000 hours
B. 47,900 hours
C. 42,100 hours
D. 44,000 hours

63. Dowan Company uses a predetermined overhead rate based on direct labor-hours to apply manufacturing overhead to jobs. Last year Dowan Company incurred $156,600 in actual manufacturing overhead cost. The Manufacturing Overhead account showed that manufacturing overhead was underapplied by $12,600 for the year. If the predetermined overhead rate is $6.00 per direct labor-hour, how many hours did the company work during the year?

A. 26,000 hours
B. 24,000 hours
C. 28,200 hours
D. 25,000 hours

64. Kelson Company applies overhead to jobs on the basis of 60% of direct labor cost. If Job 201 shows $27,000 of manufacturing overhead applied, the direct labor cost on the job was:

A. $16,200

B. $27,000

C. $37,800

D. $45,000

65. The following accounts are from last year's books at Sharp Manufacturing:

Raw Materials			
Beg Bal	0	77,000	(b)
(a)	82,000		
	5,000		

Finished Goods			
Beg Bal	0	230,000	(g)
(f)	255,000		
	25,000		

Work in Process			
Beg Bal	0	255,000	(f)
(b)	66,000		
(c)	84,000		
(e)	105,000		
	0		

Manufacturing Overhead			
(b)	11,000	105,000	(e)
(c)	13,000		
(d)	78,000		
		3,000	
(h)	3,000		

Cost of Goods Sold			
(g)	230,000		
		3,000	(h)
	227,000		

Sharp uses job-order costing and applies manufacturing overhead to jobs based on direct labor costs. What is the amount of cost of goods manufactured for the year?

A. $252,000

B. $227,000

C. $230,000

D. $255,000

66. Jurper Corporation used $150,000 of direct materials during April. At the end of April, Jurper's direct materials inventory was $25,000 more than it was at the beginning of the month. Direct materials purchases during the April amounted to:

A. $0

B. $125,000

C. $150,000

D. $175,000

67. Desrevisseau Inc., a manufacturing company, has provided the following data for the month of August. The balance in the Work in Process inventory account was $10,000 at the beginning of the month and $22,000 at the end of the month. During the month, the company incurred direct materials cost of $63,000 and direct labor cost of $39,000. The actual manufacturing overhead cost incurred was $40,000. The manufacturing overhead cost applied to Work in Process was $43,000. The cost of goods manufactured for August was:

A. $133,000

B. $142,000

C. $145,000

D. $130,000

68. Under Lamprey Company's job-order costing system, manufacturing overhead is applied to Work in Process inventory using a predetermined overhead rate. During January, Lamprey's transactions included the following:

Direct materials issued to production	$90,000
Indirect materials issued to production	$8,000
Manufacturing overhead cost incurred	$125,000
Manufacturing overhead cost applied	$113,000
Direct labor cost incurred	$107,000

Lamprey Company had no beginning or ending inventories. What was the cost of goods manufactured for January?

A. $302,000

B. $310,000

C. $322,000

D. $330,000

69. Delhoyo Corporation, a manufacturing company, has provided data concerning its operations for September. The beginning balance in the raw materials account was $37,000 and the ending balance was $29,000. Raw materials purchases during the month totaled $57,000. Manufacturing overhead cost incurred during the month was $102,000, of which $2,000 consisted of raw materials classified as indirect materials. The direct materials cost for September was:

A. $63,000
B. $57,000
C. $65,000
D. $49,000

70. Gest Inc. has provided the following data for the month of November. The balance in the Finished Goods inventory account at the beginning of the month was $49,000 and at the end of the month was $45,000. The cost of goods manufactured for the month was $226,000. The actual manufacturing overhead cost incurred was $74,000 and the manufacturing overhead cost applied to Work in Process was $70,000. The adjusted cost of goods sold that would appear on the income statement for November is:

A. $226,000
B. $230,000
C. $222,000
D. $234,000

71. The actual manufacturing overhead incurred at Hogans Corporation during April was $59,000, while the manufacturing overhead applied to Work in Process was $74,000. The company's Cost of Goods Sold was $289,000 prior to closing out its Manufacturing Overhead account. The company closes out its Manufacturing Overhead account to Cost of Goods Sold. Which of the following statements is true?

A. Manufacturing overhead was overapplied by $15,000; Cost of Goods Sold after closing out the Manufacturing Overhead account is $274,000

B. Manufacturing overhead was underapplied by $15,000; Cost of Goods Sold after closing out the Manufacturing Overhead account is $274,000

C. Manufacturing overhead was overapplied by $15,000; Cost of Goods Sold after closing out the Manufacturing Overhead account is $304,000

D. Manufacturing overhead was underapplied by $15,000; Cost of Goods Sold after closing out the Manufacturing Overhead account is $304,000

72. Sharp Company's records show that overhead was overapplied by $10,000 last year. This overapplied manufacturing overhead was closed out to the Cost of Goods Sold account at the end of the year. In trying to determine why overhead was overapplied by such a large amount, the company has discovered that $6,000 of depreciation on factory equipment was charged to administrative expense in error. Given the above information, which of the following statements is true?

A. Manufacturing overhead was actually overapplied by $16,000 for the year.

B. The company's net income is understated by $6,000 for the year.

C. Under the circumstances posed above, the error in recording depreciation would have no effect on net operating income for the year.

D. The $6,000 in depreciation should have been charged to Work in Process rather than to administrative expense.

73. Lietz Corporation has provided the following data concerning manufacturing overhead for January:

Actual manufacturing overhead incurred.....	$52,000
Manufacturing overhead applied to Work in Process.....	$75,000

The company's Cost of Goods Sold was $369,000 prior to closing out its Manufacturing Overhead account. The company closes out its Manufacturing Overhead account to Cost of Goods Sold. Which of the following statements is true?

A. Manufacturing overhead was underapplied by $23,000; Cost of Goods Sold after closing out the Manufacturing Overhead account is $392,000

B. Manufacturing overhead was underapplied by $23,000; Cost of Goods Sold after closing out the Manufacturing Overhead account is $346,000

C. Manufacturing overhead was overapplied by $23,000; Cost of Goods Sold after closing out the Manufacturing Overhead account is $346,000

D. Manufacturing overhead was overapplied by $23,000; Cost of Goods Sold after closing out the Manufacturing Overhead account is $392,000

74. Bakker Corporation applies manufacturing overhead on the basis of direct labor-hours. At the beginning of the most recent year, the company based its predetermined overhead rate on total estimated overhead of $77,250 and 2,500 estimated direct labor-hours. Actual manufacturing overhead for the year amounted to $79,000 and actual direct labor-hours were 2,400.

    The predetermined overhead rate for the year was closest to:

    A. $29.66
    B. $32.92
    C. $31.60
    D. $30.90

75. Bakker Corporation applies manufacturing overhead on the basis of direct labor-hours. At the beginning of the most recent year, the company based its predetermined overhead rate on total estimated overhead of $77,250 and 2,500 estimated direct labor-hours. Actual manufacturing overhead for the year amounted to $79,000 and actual direct labor-hours were 2,400.

    The applied manufacturing overhead for the year was closest to:

    A. $74,160
    B. $71,184
    C. $75,840
    D. $79,008

76. Bakker Corporation applies manufacturing overhead on the basis of direct labor-hours. At the beginning of the most recent year, the company based its predetermined overhead rate on total estimated overhead of $77,250 and 2,500 estimated direct labor-hours. Actual manufacturing overhead for the year amounted to $79,000 and actual direct labor-hours were 2,400.

    The overhead for the year was:

    A. $3,090 overapplied
    B. $4,840 underapplied
    C. $4,840 overapplied
    D. $3,090 underapplied

77. Acitelli Corporation, which applies manufacturing overhead on the basis of machine-hours, has provided the following data for its most recent year of operations.

Estimated manufacturing overhead	$357,000
Estimated machine-hours	8,500
Actual manufacturing overhead	$358,000
Actual machine-hours	8,560

The estimates of the manufacturing overhead and of machine-hours were made at the beginning of the year for the purpose of computing the company's predetermined overhead rate for the year.

The predetermined overhead rate is closest to:

A. $42.30

B. $41.82

C. $42.12

D. $42.00

78. Acitelli Corporation, which applies manufacturing overhead on the basis of machine-hours, has provided the following data for its most recent year of operations.

Estimated manufacturing overhead	$357,000
Estimated machine-hours	8,500
Actual manufacturing overhead	$358,000
Actual machine-hours	8,560

The estimates of the manufacturing overhead and of machine-hours were made at the beginning of the year for the purpose of computing the company's predetermined overhead rate for the year.

The applied manufacturing overhead for the year is closest to:

A. $357,979

B. $360,547

C. $359,520

D. $362,088

79. Acitelli Corporation, which applies manufacturing overhead on the basis of machine-hours, has provided the following data for its most recent year of operations.

Estimated manufacturing overhead	$357,000
Estimated machine-hours	8,500
Actual manufacturing overhead	$358,000
Actual machine-hours	8,560

The estimates of the manufacturing overhead and of machine-hours were made at the beginning of the year for the purpose of computing the company's predetermined overhead rate for the year.

The overhead for the year was:

A. $1,520 underapplied

B. $2,520 overapplied

C. $1,520 overapplied

D. $2,520 underapplied

80. Carter Corporation applies manufacturing overhead on the basis of machine-hours. At the beginning of the most recent year, the company based its predetermined overhead rate on total estimated overhead of $135,850. Actual manufacturing overhead for the year amounted to $145,000 and actual machine-hours were 5,660. The company's predetermined overhead rate for the year was $24.70 per machine-hour.

    The predetermined overhead rate was based on how many estimated machine-hours?

    A. 5,870

    B. 5,500

    C. 6,081

    D. 5,660

81. Carter Corporation applies manufacturing overhead on the basis of machine-hours. At the beginning of the most recent year, the company based its predetermined overhead rate on total estimated overhead of $135,850. Actual manufacturing overhead for the year amounted to $145,000 and actual machine-hours were 5,660. The company's predetermined overhead rate for the year was $24.70 per machine-hour.

    The applied manufacturing overhead for the year was closest to:

    A. $135,850
    B. $149,218
    C. $143,869
    D. $139,802

82. Carter Corporation applies manufacturing overhead on the basis of machine-hours. At the beginning of the most recent year, the company based its predetermined overhead rate on total estimated overhead of $135,850. Actual manufacturing overhead for the year amounted to $145,000 and actual machine-hours were 5,660. The company's predetermined overhead rate for the year was $24.70 per machine-hour.

    The overhead for the year was:

    A. $5,198 overapplied
    B. $3,952 underapplied
    C. $3,952 overapplied
    D. $5,198 underapplied

83. Snappy Company has a job-order costing system and uses a predetermined overhead rate based on direct labor-hours to apply manufacturing overhead to jobs. Manufacturing overhead cost and direct labor hours were estimated at $100,000 and 40,000 hours, respectively, for the year. In July, Job #334 was completed at a cost of $5,000 in direct materials and $2,400 in direct labor. The labor rate is $6 per hour. By the end of the year, Snappy had worked a total of 45,000 direct labor-hours and had incurred $110,250 actual manufacturing overhead cost.

    If Job #334 contained 200 units, the unit product cost on the completed job cost sheet would be:

    A. $37.00

    B. $42.00

    C. $41.90

    D. $39.50

84. Snappy Company has a job-order costing system and uses a predetermined overhead rate based on direct labor-hours to apply manufacturing overhead to jobs. Manufacturing overhead cost and direct labor hours were estimated at $100,000 and 40,000 hours, respectively, for the year. In July, Job #334 was completed at a cost of $5,000 in direct materials and $2,400 in direct labor. The labor rate is $6 per hour. By the end of the year, Snappy had worked a total of 45,000 direct labor-hours and had incurred $110,250 actual manufacturing overhead cost.

Snappy's manufacturing overhead for the year was:

A. $10,250 underapplied
B. $12,500 overapplied
C. $12,500 underapplied
D. $2,250 overapplied

85. Lund Company applies manufacturing overhead to jobs using a predetermined overhead rate of 75% of direct labor cost. Any underapplied or overapplied manufacturing overhead cost is closed out to Cost of Goods Sold at the end of the month. During March, the following transactions were recorded by the company:

Raw materials (all direct materials):	
Purchased during the month	$27,000
Used in production	$28,000
Labor:	
Direct labor hours worked during the month	2,500
Direct labor cost incurred	$20,000
Indirect labor cost incurred	$5,500
Manufacturing overhead costs incurred (total)	$17,000
Inventories:	
Raw materials (all direct), March 31	$7,500
Work in process, March 1	$10,500
Work in process, March 31	$14,000*

*contains $5,000 in direct labor cost.

The amount of direct materials cost in the March 31 Work in Process inventory account was:

A. $5,250

B. $3,500

C. $9,000

D. $8,750

86. Lund Company applies manufacturing overhead to jobs using a predetermined overhead rate of 75% of direct labor cost. Any underapplied or overapplied manufacturing overhead cost is closed out to Cost of Goods Sold at the end of the month. During March, the following transactions were recorded by the company:

Raw materials (all direct materials):	
Purchased during the month	$27,000
Used in production	$28,000
Labor:	
Direct labor hours worked during the month	2,500
Direct labor cost incurred	$20,000
Indirect labor cost incurred	$5,500
Manufacturing overhead costs incurred (total)	$17,000
Inventories:	
Raw materials (all direct), March 31	$7,500
Work in process, March 1	$10,500
Work in process, March 31	$14,000*

*contains $5,000 in direct labor cost.

The Cost of Goods Manufactured for March was:

A. $66,500

B. $61,500

C. $59,500

D. $63,000

87. Lund Company applies manufacturing overhead to jobs using a predetermined overhead rate of 75% of direct labor cost. Any underapplied or overapplied manufacturing overhead cost is closed out to Cost of Goods Sold at the end of the month. During March, the following transactions were recorded by the company:

Raw materials (all direct materials):	
Purchased during the month	$27,000
Used in production	$28,000
Labor:	
Direct labor hours worked during the month	2,500
Direct labor cost incurred	$20,000
Indirect labor cost incurred	$5,500
Manufacturing overhead costs incurred (total)	$17,000
Inventories:	
Raw materials (all direct), March 31	$7,500
Work in process, March 1	$10,500
Work in process, March 31	$14,000*

*contains $5,000 in direct labor cost.

The entry to dispose of the underapplied or overapplied manufacturing overhead cost for the month would include:

A. a credit of $2,000 to Cost of Goods Sold.

B. a debit of $5,000 to the Cost of Goods Sold.

C. a debit of $5,000 to the Manufacturing Overhead account.

D. a credit of $2,000 to the Manufacturing Overhead account.

88. Lund Company applies manufacturing overhead to jobs using a predetermined overhead rate of 75% of direct labor cost. Any underapplied or overapplied manufacturing overhead cost is closed out to Cost of Goods Sold at the end of the month. During March, the following transactions were recorded by the company:

Raw materials (all direct materials):	
Purchased during the month	$27,000
Used in production	$28,000
Labor:	
Direct labor hours worked during the month	2,500
Direct labor cost incurred	$20,000
Indirect labor cost incurred	$5,500
Manufacturing overhead costs incurred (total)	$17,000
Inventories:	
Raw materials (all direct), March 31	$7,500
Work in process, March 1	$10,500
Work in process, March 31	$14,000*

*contains $5,000 in direct labor cost.

The balance on March 1 in the Raw Materials inventory account was:

A. $8,500

B. $6,500

C. $7,500

D. $9,500

89. On April 1, Bogdon Corporation had $30,000 of raw materials on hand. During the month, the company purchased an additional $63,000 of raw materials. During April, $76,000 of raw materials were requisitioned from the storeroom for use in production. These raw materials included both direct and indirect materials. The indirect materials totaled $2,000.

    The journal entry to record the purchase of raw materials would include a:

    A. debit to Raw Materials of $63,000
    B. credit to Raw Materials of $63,000
    C. credit to Raw Materials of $93,000
    D. debit to Raw Materials of $93,000

90. On April 1, Bogdon Corporation had $30,000 of raw materials on hand. During the month, the company purchased an additional $63,000 of raw materials. During April, $76,000 of raw materials were requisitioned from the storeroom for use in production. These raw materials included both direct and indirect materials. The indirect materials totaled $2,000.

    The journal entry to record the requisition from the storeroom would include a:

    A. debit to Raw Materials of $76,000
    B. debit to Work in Process of $76,000
    C. credit to Manufacturing Overhead of $2,000
    D. debit to Work in Process of $74,000

91. On April 1, Stelter Corporation had $34,000 of raw materials on hand. During the month, the company purchased an additional $60,000 of raw materials. During April, $70,000 of raw materials were requisitioned from the storeroom for use in production. These raw materials included both direct and indirect materials. The indirect materials totaled $7,000. Prepare journal entries to record these events. Use those journal entries to answer the following questions:

    The debits to the Raw Materials account for the month of April total:

    A. $94,000

    B. $70,000

    C. $60,000

    D. $34,000

92. On April 1, Stelter Corporation had $34,000 of raw materials on hand. During the month, the company purchased an additional $60,000 of raw materials. During April, $70,000 of raw materials were requisitioned from the storeroom for use in production. These raw materials included both direct and indirect materials. The indirect materials totaled $7,000. Prepare journal entries to record these events. Use those journal entries to answer the following questions:

    The credits to the Raw Materials account for the month of April total:

    A. $94,000

    B. $34,000

    C. $70,000

    D. $60,000

93. On April 1, Stelter Corporation had $34,000 of raw materials on hand. During the month, the company purchased an additional $60,000 of raw materials. During April, $70,000 of raw materials were requisitioned from the storeroom for use in production. These raw materials included both direct and indirect materials. The indirect materials totaled $7,000. Prepare journal entries to record these events. Use those journal entries to answer the following questions:

    The debits to the Work in Process account as a consequence of the raw materials transactions in April total:

    A. $60,000
    B. $0
    C. $70,000
    D. $63,000

94. On April 1, Stelter Corporation had $34,000 of raw materials on hand. During the month, the company purchased an additional $60,000 of raw materials. During April, $70,000 of raw materials were requisitioned from the storeroom for use in production. These raw materials included both direct and indirect materials. The indirect materials totaled $7,000. Prepare journal entries to record these events. Use those journal entries to answer the following questions:

    The credits to the Work in Process account as a consequence of the raw materials transactions in April total:

    A. $70,000

    B. $63,000

    C. $0

    D. $60,000

95. On April 1, Stelter Corporation had $34,000 of raw materials on hand. During the month, the company purchased an additional $60,000 of raw materials. During April, $70,000 of raw materials were requisitioned from the storeroom for use in production. These raw materials included both direct and indirect materials. The indirect materials totaled $7,000. Prepare journal entries to record these events. Use those journal entries to answer the following questions:

    The debits to the Manufacturing Overhead account as a consequence of the raw materials transactions in April total:

    A. $7,000

    B. $63,000

    C. $0

    D. $70,000

96. On April 1, Stelter Corporation had $34,000 of raw materials on hand. During the month, the company purchased an additional $60,000 of raw materials. During April, $70,000 of raw materials were requisitioned from the storeroom for use in production. These raw materials included both direct and indirect materials. The indirect materials totaled $7,000. Prepare journal entries to record these events. Use those journal entries to answer the following questions:

    The credits to the Manufacturing Overhead account as a consequence of the raw materials transactions in April total:

    A. $0
    B. $70,000
    C. $63,000
    D. $7,000

97. During September, Stutzman Corporation incurred $86,000 of actual Manufacturing Overhead costs. During the same period, the Manufacturing Overhead applied to Work in Process was $81,000.

    The journal entry to record the incurrence of the actual Manufacturing Overhead costs would include a:

    A. credit to Manufacturing Overhead of $86,000
    B. debit to Manufacturing Overhead of $86,000
    C. credit to Work in Process of $81,000
    D. debit to Work in Process of $81,000

98. During September, Stutzman Corporation incurred $86,000 of actual Manufacturing Overhead costs. During the same period, the Manufacturing Overhead applied to Work in Process was $81,000.

    The journal entry to record the application of Manufacturing Overhead to Work in Process would include a:

    A. credit to Manufacturing Overhead of $81,000
    B. credit to Work in Process of $86,000
    C. debit to Manufacturing Overhead of $81,000
    D. debit to Work in Process of $86,000

99. Daane Company had only one job in process on May 1. The job had been charged with $1,000 of direct materials, $3,302 of direct labor, and $5,382 of manufacturing overhead cost. The company assigns overhead cost to jobs using the predetermined overhead rate of $20.70 per direct labor-hour.

During May, the following activity was recorded:

Raw materials (all direct materials):	
Beginning balance	$8,500
Purchased during the month	$20,000
Used in production	$28,400
Labor:	
Direct labor-hours worked during the month	1,500
Direct labor cost incurred	$19,050
Actual manufacturing overhead costs incurred	$29,700
Inventories:	
Raw materials, May 30	?
Work in process, May 30	$13,362

Work in process inventory on May 30 contains $2,921 of direct labor cost. Raw materials consist solely of items that are classified as direct materials.

The amount of direct materials cost in the May 30 work in process inventory account was:

A. $5,680

B. $19,900

C. $8,400

D. $11,500

100. Daane Company had only one job in process on May 1. The job had been charged with $1,000 of direct materials, $3,302 of direct labor, and $5,382 of manufacturing overhead cost. The company assigns overhead cost to jobs using the predetermined overhead rate of $20.70 per direct labor-hour.

During May, the following activity was recorded:

Raw materials (all direct materials):	
Beginning balance	$8,500
Purchased during the month	$20,000
Used in production	$28,400
Labor:	
Direct labor-hours worked during the month	1,500
Direct labor cost incurred	$19,050
Actual manufacturing overhead costs incurred	$29,700
Inventories:	
Raw materials, May 30	?
Work in process, May 30	$13,362

Work in process inventory on May 30 contains $2,921 of direct labor cost. Raw materials consist solely of items that are classified as direct materials.

The cost of goods manufactured for May was:

A. $78,500

B. $78,100

C. $77,150

D. $74,822

101. Daane Company had only one job in process on May 1. The job had been charged with $1,000 of direct materials, $3,302 of direct labor, and $5,382 of manufacturing overhead cost. The company assigns overhead cost to jobs using the predetermined overhead rate of $20.70 per direct labor-hour.

During May, the following activity was recorded:

Raw materials (all direct materials):	
Beginning balance	$8,500
Purchased during the month	$20,000
Used in production	$28,400
Labor:	
Direct labor-hours worked during the month	1,500
Direct labor cost incurred	$19,050
Actual manufacturing overhead costs incurred	$29,700
Inventories:	
Raw materials, May 30	?
Work in process, May 30	$13,362

Work in process inventory on May 30 contains $2,921 of direct labor cost. Raw materials consist solely of items that are classified as direct materials.

The entry to dispose of the underapplied or overapplied manufacturing overhead cost for the month would include a:

A. debit of $1,350 to Manufacturing Overhead.

B. credit of $4,761 to Manufacturing Overhead.

C. credit of $1,350 to Manufacturing Overhead.

D. debit of $4,761 to Manufacturing Overhead.

102. The following partially completed T-accounts summarize the transactions of Belson Company for last year:

Raw Materials			
Beg. Bal.	5,000	(2)	20,000
(1)	17,000		

Work in Process			
Beg. Bal.	9,000	(7)	60,000
(2)	13,000		
(4)	16,000		
(6)	29,000		

Manufacturing Overhead			
(2)	7,000	(6)	29,000
(3)	14,000		
(4)	6,000		
(5)	3,000		

Cost of Goods Sold			

Accounts Payable			
		(1)	17,000
		(5)	3,000

Finished Goods			
Beg. Bal.	16,000		
(7)	60,000		
End. Bal.	13,000		

Wages and Salaries Payable			
		Beg. Bal.	5,000
		(4)	31,000

Sales Salaries Expense			
(4)	9,000		

Accumulated Depreciation (Factory)			
		Beg. Bal.	80,000
		(3)	14,000

At the end of the year, the company closes out the balance in the Manufacturing

Overhead account to Cost of Goods Sold.

The indirect labor cost is:

A. $6,000

B. $13,000

C. $16,000

D. $31,000

103. The following partially completed T-accounts summarize the transactions of Belson Company for last year:

Raw Materials			
Beg. Bal.	5,000	(2)	20,000
(1)	17,000		

Work in Process			
Beg. Bal.	9,000	(7)	60,000
(2)	13,000		
(4)	16,000		
(6)	29,000		

Manufacturing Overhead			
(2)	7,000	(6)	29,000
(3)	14,000		
(4)	6,000		
(5)	3,000		

Cost of Goods Sold			

Accounts Payable			
		(1)	17,000
		(5)	3,000

Finished Goods			
Beg. Bal.	16,000		
(7)	60,000		
End. Bal.	13,000		

Wages and Salaries Payable			
		Beg. Bal.	5,000
		(4)	31,000

Sales Salaries Expense			
(4)	9,000		

Accumulated Depreciation (Factory)			
		Beg. Bal.	80,000
		(3)	14,000

At the end of the year, the company closes out the balance in the Manufacturing

Overhead account to Cost of Goods Sold.

The cost of goods sold (after adjustment for underapplied or overapplied manufacturing overhead) is:

A. $61,000

B. $62,000

C. $63,000

D. $64,000

104. The following partially completed T-accounts summarize the transactions of Belson Company for last year:

Raw Materials			
Beg. Bal.	5,000	(2)	20,000
(1)	17,000		

Work in Process			
Beg. Bal.	9,000	(7)	60,000
(2)	13,000		
(4)	16,000		
(6)	29,000		

Manufacturing Overhead			
(2)	7,000	(6)	29,000
(3)	14,000		
(4)	6,000		
(5)	3,000		

Cost of Goods Sold			

Accounts Payable			
		(1)	17,000
		(5)	3,000

Finished Goods			
Beg. Bal.	16,000		
(7)	60,000		
End. Bal.	13,000		

Wages and Salaries Payable			
		Beg. Bal.	5,000
		(4)	31,000

Sales Salaries Expense			
(4)	9,000		

Accumulated Depreciation (Factory)			
		Beg. Bal.	80,000
		(3)	14,000

At the end of the year, the company closes out the balance in the Manufacturing

Overhead account to Cost of Goods Sold.

The manufacturing overhead applied is:

A. $28,000

B. $29,000

C. $30,000

D. $38,000

105. The following partially completed T-accounts summarize the transactions of Belson Company for last year:

Raw Materials			
Beg. Bal.	5,000	(2)	20,000
(1)	17,000		

Work in Process			
Beg. Bal.	9,000	(7)	60,000
(2)	13,000		
(4)	16,000		
(6)	29,000		

Manufacturing Overhead			
(2)	7,000	(6)	29,000
(3)	14,000		
(4)	6,000		
(5)	3,000		

Cost of Goods Sold			

Accounts Payable			
		(1)	17,000
		(5)	3,000

Finished Goods			
Beg. Bal.	16,000		
(7)	60,000		
End. Bal.	13,000		

Wages and Salaries Payable			
		Beg. Bal.	5,000
		(4)	31,000

Sales Salaries Expense			
(4)	9,000		

Accumulated Depreciation (Factory)			
		Beg. Bal.	80,000
		(3)	14,000

At the end of the year, the company closes out the balance in the Manufacturing

Overhead account to Cost of Goods Sold.

The cost of direct materials used in production is:

A. $12,000

B. $13,000

C. $16,000

D. $20,000

106. Entin Corporation reported the following data for the month of January:

Inventories:	Beginning	Ending
Raw materials	$32,000	$38,000
Work in process	$11,000	$17,000
Finished goods	$45,000	$47,000
Additional information:		
Raw materials purchases	$65,000	
Direct labor cost	$88,000	
Manufacturing overhead cost incurred	$64,000	
Indirect materials included in manufacturing overhead cost incurred	$3,000	
Manufacturing overhead cost applied to Work in Process	$61,000	

The direct materials cost for January is:

A. $59,000

B. $56,000

C. $71,000

D. $65,000

107.Entin Corporation reported the following data for the month of January:

Inventories:	Beginning	Ending
Raw materials	$32,000	$38,000
Work in process	$11,000	$17,000
Finished goods	$45,000	$47,000
Additional information:		
Raw materials purchases	$65,000	
Direct labor cost	$88,000	
Manufacturing overhead cost incurred	$64,000	
Indirect materials included in manufacturing overhead cost incurred	$3,000	
Manufacturing overhead cost applied to Work in Process	$61,000	

The cost of goods manufactured for January is:

A. $202,000

B. $214,000

C. $217,000

D. $199,000

108.Entin Corporation reported the following data for the month of January:

Inventories:	Beginning	Ending
Raw materials	$32,000	$38,000
Work in process	$11,000	$17,000
Finished goods	$45,000	$47,000
Additional information:		
Raw materials purchases	$65,000	
Direct labor cost	$88,000	
Manufacturing overhead cost incurred	$64,000	
Indirect materials included in manufacturing overhead cost incurred	$3,000	
Manufacturing overhead cost applied to Work in Process	$61,000	

The adjusted cost of goods sold that appears on the income statement for January is:

A. $197,000

B. $200,000

C. $201,000

D. $199,000

109.Vanwagenen Inc. has provided the following data for the month of April:

Inventories:	Beginning	Ending
Work in process	$12,000	$16,000
Finished goods	$27,000	$25,000
Additional information:		
Direct materials	$51,000	
Direct labor cost	$91,000	
Manufacturing overhead cost incurred	$60,000	
Manufacturing overhead cost applied to Work in Process	$59,000	

The cost of goods manufactured for April is:

A. $198,000

B. $201,000

C. $197,000

D. $202,000

110. Vanwagenen Inc. has provided the following data for the month of April:

Inventories:	Beginning	Ending
Work in process	$12,000	$16,000
Finished goods	$27,000	$25,000
Additional information:		
Direct materials	$51,000	
Direct labor cost	$91,000	
Manufacturing overhead cost incurred	$60,000	
Manufacturing overhead cost applied to Work in Process	$59,000	

The adjusted cost of goods sold that appears on the income statement for April is:

A. $197,000

B. $195,000

C. $200,000

D. $199,000

111. Leija Manufacturing Company uses a job-order costing system and started the month of March with one job in process (Job #359). This job had $500 of cost assigned to it at this time. During March, Leija assigned production costs as follows to the jobs worked on during the month:

	Job #359	Job #360	Job #361
Total cost assigned to jobs during March	$6,000	$8,100	$2,400

During March, Leija completed and sold Job #359. Job #360 was also completed but was not sold by month end. Job #361 was not completed by the end of March.

What is Leija's cost of goods manufactured for March?

A. $6,500

B. $14,100

C. $14,600

D. $16,500

112. Leija Manufacturing Company uses a job-order costing system and started the month of March with one job in process (Job #359). This job had $500 of cost assigned to it at this time. During March, Leija assigned production costs as follows to the jobs worked on during the month:

	Job #359	Job #360	Job #361
Total cost assigned to jobs during March	$6,000	$8,100	$2,400

During March, Leija completed and sold Job #359. Job #360 was also completed but was not sold by month end. Job #361 was not completed by the end of March.

What is Leija's work in process inventory balance at the end of March?

A. $1,900

B. $2,400

C. $2,900

D. $10,000

113. Echenko Corporation uses a job-order costing system and applies overhead to jobs using a predetermined overhead rate. During the year the company's Finished Goods inventory account was debited for $380,000 and credited for $335,500. The ending balance in the Finished Goods inventory account was $62,300. At the end of the year, manufacturing overhead was overapplied by $2,900.

The balance in the Finished Goods inventory account at the beginning of the year was:

A. $2,900

B. $62,300

C. $44,500

D. $17,800

114. Echenko Corporation uses a job-order costing system and applies overhead to jobs using a predetermined overhead rate. During the year the company's Finished Goods inventory account was debited for $380,000 and credited for $335,500. The ending balance in the Finished Goods inventory account was $62,300. At the end of the year, manufacturing overhead was overapplied by $2,900.

If the applied manufacturing overhead was $70,400, the actual manufacturing overhead cost for the year was:

A. $73,300

B. $67,500

C. $129,800

D. $85,300

115. The following partially completed T-accounts summarize transactions for Fabatz Company during the year:

Raw Materials			
Beg Bal	1,900		7,300
	9,300		

Work in Process			
Beg Bal	3,300		22,600
	6,300		
	8,700		
	5,800		

Finished Goods			
Beg Bal	6,900		23,800
	22,600		

Manufacturing Overhead			
	1,000		5,800
	3,000		
	2,200		

Wages & Salaries Payable			
	14,200	Beg Bal	1,500
			11,700

Cost of Goods Sold			
	23,800		

The Cost of Goods Manufactured was:

A. $23,800

B. $5,400

C. $22,600

D. $46,400

116. The following partially completed T-accounts summarize transactions for Fabatz Company during the year:

Raw Materials			
Beg Bal	1,900		7,300
	9,300		

Work in Process			
Beg Bal	3,300		22,600
	6,300		
	8,700		
	5,800		

Finished Goods			
Beg Bal	6,900		23,800
	22,600		

Manufacturing Overhead			
	1,000		5,800
	3,000		
	2,200		

Wages & Salaries Payable			
	14,200	Beg Bal	1,500
			11,700

Cost of Goods Sold			
	23,800		

The direct labor cost was:

A. $8,700

B. $12,000

C. $11,700

D. $14,200

117. The following partially completed T-accounts summarize transactions for Fabatz Company during the year:

Raw Materials			
Beg Bal	1,900		7,300
	9,300		

Work in Process			
Beg Bal	3,300		22,600
	6,300		
	8,700		
	5,800		

Finished Goods			
Beg Bal	6,900		23,800
	22,600		

Manufacturing Overhead			
	1,000		5,800
	3,000		
	2,200		

Wages & Salaries Payable			
	14,200	Beg Bal	1,500
			11,700

Cost of Goods Sold			
	23,800		

The direct materials cost was:

A. $3,300

B. $8,700

C. $6,300

D. $7,300

118. The following partially completed T-accounts summarize transactions for Fabatz Company during the year:

Raw Materials			
Beg Bal	1,900		7,300
	9,300		

Work in Process			
Beg Bal	3,300		22,600
	6,300		
	8,700		
	5,800		

Finished Goods			
Beg Bal	6,900		23,800
	22,600		

Manufacturing Overhead			
	1,000		5,800
	3,000		
	2,200		

Wages & Salaries Payable			
	14,200	Beg Bal	1,500
			11,700

Cost of Goods Sold			
	23,800		

The manufacturing overhead applied was:

A. $2,200

B. $3,000

C. $5,800

D. $13,900

119. The following partially completed T-accounts summarize transactions for Fabatz Company during the year:

Raw Materials			
Beg Bal	1,900		7,300
	9,300		

Work in Process			
Beg Bal	3,300		22,600
	6,300		
	8,700		
	5,800		

Finished Goods			
Beg Bal	6,900		23,800
	22,600		

Manufacturing Overhead			
	1,000		5,800
	3,000		
	2,200		

Wages & Salaries Payable			
	14,200	Beg Bal	1,500
			11,700

Cost of Goods Sold			
	23,800		

The manufacturing overhead was:

A. $2,200 underapplied

B. $2,200 overapplied

C. $400 overapplied

D. $400 underapplied

Essay Questions

120. Alam Company is a manufacturing firm that uses job-order costing. At the beginning of the year, the company's inventory balances were as follows:

Raw materials.....	$24,000
Work in process	$73,000
Finished goods	$27,000

The company applies overhead to jobs using a predetermined overhead rate based on machine-hours. At the beginning of the year, the company estimated that it would work 45,000 machine-hours and incur $180,000 in manufacturing overhead cost. The following transactions were recorded for the year:

a. Raw materials were purchased, $416,000.
b. Raw materials were requisitioned for use in production, $420,000 ($380,000 direct and $40,000 indirect).
c. The following employee costs were incurred: direct labor, $414,000; indirect labor, $60,000; and administrative salaries, $212,000.
d. Selling costs, $141,000.
e. Factory utility costs, $20,000.
f. Depreciation for the year was $81,000 of which $73,000 is related to factory operations and $8,000 is related to selling, general, and administrative activities.
g. Manufacturing overhead was applied to jobs. The actual level of activity for the year was 48,000 machine-hours.
h. The cost of goods manufactured for the year was $1,004,000.
i. Sales for the year totaled $1,416,000 and the costs on the job cost sheets of the goods that were sold totaled $989,000.
j. The balance in the Manufacturing Overhead account was closed out to Cost of Goods Sold.

Required:

Prepare the appropriate journal entry for each of the items above (a. through j.). You can assume that all transactions with employees, customers, and suppliers were conducted in cash.

121. Babb Company is a manufacturing firm that uses job-order costing. The company's inventory balances were as follows at the beginning and end of the year:

	Beginning Balance	Ending Balance
Raw materials.....	$11,000	$15,000
Work in process	$32,000	$14,000
Finished goods	$108,000	$123,000

The company applies overhead to jobs using a predetermined overhead rate based on machine-hours. At the beginning of the year, the company estimated that it would work 17,000 machine-hours and incur $272,000 in manufacturing overhead cost. The following transactions were recorded for the year:

- Raw materials were purchased, $416,000.
- Raw materials were requisitioned for use in production, $412,000 $(376,000 direct and $36,000 indirect).
- The following employee costs were incurred: direct labor, $330,000; indirect labor, $69,000; and administrative salaries, $157,000.
- Selling costs, $113,000.
- Factory utility costs, $29,000.
- Depreciation for the year was $121,000 of which $114,000 is related to factory operations and $7,000 is related to selling, general, and administrative activities.
- Manufacturing overhead was applied to jobs. The actual level of activity for the year was 15,000 machine-hours.
- Sales for the year totaled $1,282,000.

Required:

a. Prepare a schedule of cost of goods manufactured in good form.

b. Was the overhead underapplied or overapplied? By how much?

c. Prepare an income statement for the year in good form. The company closes any underapplied or overapplied manufacturing overhead to Cost of Goods Sold.

122. Sandler Corporation bases its predetermined overhead rate on the estimated machine-hours for the upcoming year. Data for the upcoming year appear below:

Estimated machine-hours	73,000	
Estimated variable manufacturing overhead	$3.49	per machine-hour
Estimated total fixed manufacturing overhead	$838,770	

Required:

Compute the company's predetermined overhead rate.

123. Wahr Corporation bases its predetermined overhead rate on the estimated labor-hours for the upcoming year. At the beginning of the most recently completed year, the company estimated the labor-hours for the upcoming year at 32,000 labor-hours. The estimated variable manufacturing overhead was $7.17 per labor-hour and the estimated total fixed manufacturing overhead was $584,320. The actual labor-hours for the year turned out to be 33,300 labor-hours.

Required:

Compute the company's predetermined overhead rate for the recently completed year.

124. Escatel Corporation bases its predetermined overhead rate on the estimated labor-hours for the upcoming year. Data for the most recently completed year appear below:

Estimates made at the beginning of the year:		
Estimated labor-hours	24,000	
Estimated variable manufacturing overhead	$6.86	per labor-hour
Estimated total fixed manufacturing overhead	$394,560	
Actual labor-hours for the year	24,500	

Required:

Compute the company's predetermined overhead rate for the recently completed year.

125. Dobrinski Corporation bases its predetermined overhead rate on the estimated labor-hours for the upcoming year. At the beginning of the most recently completed year, the company estimated the labor-hours for the upcoming year at 13,000 labor-hours. The estimated variable manufacturing overhead was $2.35 per labor-hour and the estimated total fixed manufacturing overhead was $156,130.

Required:

Compute the company's predetermined overhead rate.

126 The following accounts will be used in this problem:

.

A. Raw materials inventory

B. Accounts payable

C. Cost of goods sold

D. Work in process inventory

E. Manufacturing overhead

F. Wages and salaries expense

G. Accumulated depreciation

H. Depreciation expense

I. Finished goods inventory

J. Wages and salaries payable

K. Prepaid insurance

L. Insurance expense

Required:

Enter identifying letters in the blanks below to indicate the accounts debited and credited under a job-order costing system for each of the following summary transactions:

	Debit	Credit	
a.	_____	_____	Insurance expired on the factory building
b.	_____	_____	Cost of goods sold is recorded
c.	_____	_____	Materials are purchased on account
d.	_____	_____	Direct labor cost is incurred
e.	_____	_____	Cost of goods manufactured is recorded
f.	_____	_____	Salaries are recorded for the sales staff
g.	_____	_____	Depreciation is recorded on the factory building
h.	_____	_____	Materials are placed into production
i.	_____	_____	Manufacturing overhead assigned to units of product

127. During June, Catlin Corporation purchased $76,000 of raw materials on credit to add to its raw materials inventory. A total of $81,000 of raw materials was requisitioned from the storeroom for use in production. These requisitioned raw materials included $5,000 of indirect materials.

Required:

Prepare journal entries to record the purchase of materials and their use in production.

128. Glen Lake Corporation recorded the following transactions for the just completed month:

a. $60,000 in raw materials were purchased on account.
b. $51,000 in raw materials were requisitioned for use in production. Of this amount, $42,000 was for direct materials and the remainder was for indirect materials.
c. Total labor wages of $92,000 were incurred and paid. Of this amount, $81,000 was for direct labor and the remainder was for indirect labor.
d. Additional manufacturing overhead cost of $155,000 were incurred. All were on account.

Required:

Record the above transactions in journal entries.

129. During August, Allee Corporation incurred $64,000 of actual Manufacturing Overhead costs. During the same period, the Manufacturing Overhead applied to Work in Process was $66,000.

Required:

Prepare journal entries to record the incurrence of manufacturing overhead and the application of manufacturing overhead to Work in Process.

130. The following cost data relate to the manufacturing activities of Newberry Company during the just completed year:

Total actual manufacturing overhead costs incurred (including $15,000 of indirect materials)	$353,000
Purchases of raw materials (both direct and indirect)	$250,000
Direct labor cost	$135,000
Inventories:	
Raw materials, beginning	$10,000
Raw materials, ending	$15,000
Work in process, beginning	$20,000
Work in process, ending	$35,000

The company uses a predetermined overhead rate to apply manufacturing overhead cost to production. The predetermined overhead rate for the year was $15 per machine-hour. A total of 23,000 machine-hours were recorded for the year.

Required:

a. Compute the amount of underapplied or overapplied manufacturing overhead cost for the year.

b. Prepare a Schedule of Cost of Goods Manufactured for the year.

131. Job 434 was recently completed. The following data have been recorded on its job cost sheet:

Direct materials	$45,000
Direct labor-hours	630 labor-hours
Direct labor wage rate	$13 per labor-hour
Machine-hours	390 machine-hours
Number of units completed	3,000 units

The company applies manufacturing overhead on the basis of machine-hours. The predetermined overhead rate is $12 per machine-hour.

Required:

Compute the unit product cost that would appear on the job cost sheet for this job.

132. Job 599 was recently completed. The following data have been recorded on its job cost sheet:

Direct materials	$40,610
Direct labor-hours	1,147 DLHs
Direct labor wage rate	$11 per DLH
Number of units completed	3,100 units

The company applies manufacturing overhead on the basis of direct labor-hours. The predetermined overhead rate is $20 per direct labor-hour.

Required:

Compute the unit product cost that would appear on the job cost sheet for this job.

133.Shapiro Corporation has provided the following data for the most recent month:

Raw materials, beginning balance	$13,000
Work in process, beginning balance	$29,000
Finished Goods, beginning balance	$50,000
Transactions:	
(1) Raw materials purchases	$64,000
(2) Raw materials used in production (all direct materials)	$69,000
(3) Direct labor	$57,000
(4) Manufacturing overhead costs incurred	$85,000
(5) Manufacturing overhead applied	$87,000
(6) Cost of units completed and transferred from Work in Process to Finished Goods	$216,000
(7) Any overapplied or underapplied manufacturing overhead is closed to Cost of Goods Sold	?
(8) Finished goods are sold	$262,000

Required:

Prepare T-accounts for Raw Materials, Work in Process, Finished Goods, Manufacturing Overhead, and Cost of Goods Sold. Record the beginning balances and each of the transactions listed above. Finally, determine the ending balances.

134.Goodenough Inc. has provided the following data for August:

Raw materials, beginning balance	$14,000
Work in process, beginning balance	$38,000
Finished Goods, beginning balance	$43,000

Transactions:	
(1) Raw materials purchases	$80,000
(2) Raw materials used in production (all direct materials)	$79,000
(3) Direct labor	$61,000
(4) Manufacturing overhead costs incurred	$74,000
(5) Manufacturing overhead applied	$84,000
(6) Cost of units completed and transferred from Work in Process to Finished Goods	$236,000
(7) Any overapplied or underapplied manufacturing overhead is closed to Cost of Goods Sold	?
(8) Finished goods are sold	$251,000

Required:

Prepare T-accounts for Raw Materials, Work in Process, Finished Goods, and Manufacturing Overhead, and Cost of Goods Sold. Record the beginning balances and each of the transactions listed above. Finally, determine the ending balances.

135.During September, Paliotta Corporation recorded the following:

Raw materials, beginning balance	$10,000
Work in process, beginning balance	$36,000
Finished Goods, beginning balance	$45,000

Transactions:	
(1) Raw materials purchases	$86,000
(2) Raw materials used in production (all direct materials)	$89,000
(3) Direct labor	$84,000
(4) Manufacturing overhead costs incurred	$62,000
(5) Manufacturing overhead applied	$86,000
(6) Cost of units completed and transferred from Work in Process to Finished Goods	$276,000
(7) Any overapplied or underapplied manufacturing overhead is closed to Cost of Goods Sold	?
(8) Finished goods are sold	$302,000

Required:

Prepare T-accounts for Raw Materials, Work in Process, Finished Goods, and Manufacturing Overhead, and Cost of Goods Sold. Record the beginning balances and each of the transactions listed above. Finally, determine the ending balances.

136.Hirschman Corporation has provided the following data for the month of April:

Inventories:	Beginning	Ending
Raw materials.....	$21,000	$35,000
Work in process	$17,000	$19,000
Finished goods	$46,000	$38,000

Additional information:	
Raw materials purchases	$76,000
Direct labor cost	$81,000
Manufacturing overhead cost incurred.....	$42,000
Indirect materials included in manufacturing overhead cost incurred.....	$6,000
Manufacturing overhead cost applied to Work in Process	$44,000

Required:

Prepare a Schedule of Cost of Goods Manufactured and a Schedule of Cost of Goods Sold in good form.

Chapter 02 Job-Order Costing Answer Key

True / False Questions

1. The use of predetermined overhead rates in a job-order cost system makes it possible to estimate the total cost of a given job as soon as production is completed.

   TRUE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Compute a predetermined overhead rate.
Topic: Job-Order Costing

2. A job cost sheet is used to accumulate costs charged to a job.

   TRUE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Compute the total cost and average cost per unit of a job.
Topic: Job-Order Costing

3. The following journal entry would be made to apply overhead cost to jobs in a job-order costing system:

Manufacturing Overhead	XXX	
Work in Process		XXX

FALSE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.
Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.
Topic: Job-Order Costing
Topic: Job-Order Costing—The Flow of Costs

4. Under a job-order cost system the Work in Process account is debited with the cost of materials purchased.

FALSE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.
Topic: Job-Order Costing—The Flow of Costs

5. The process of assigning overhead cost to jobs is known as overhead application.

TRUE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.
Topic: Job-Order Costing

6. The cost of a completed job in a job-order costing system typically consists of the actual direct materials cost of the job, the actual direct labor cost of the job, and the actual manufacturing overhead cost of the job.

FALSE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.
Topic: Job-Order Costing

7. A debit balance in the Manufacturing Overhead account at the end of the year means that manufacturing overhead is overapplied.

FALSE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement

Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-05 Use T-accounts to show the flow of costs in a job-order costing system.
Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.
Topic: Job-Order Costing—The Flow of Costs
Topic: Underapplied and Overapplied Overhead

8. Period costs are expensed as incurred, rather than going into the Work in Process account.

TRUE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-05 Use T-accounts to show the flow of costs in a job-order costing system.
Topic: Job-Order Costing—The Flow of Costs

9. Advertising costs should be charged to the Manufacturing Overhead account.

FALSE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Use T-accounts to show the flow of costs in a job-order costing system.
Topic: Job-Order Costing—The Flow of Costs

10. When a job has been completed, the goods are transferred from the production department to the finished goods warehouse and the journal entry would include a credit to Work in Process.

TRUE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Use T-accounts to show the flow of costs in a job-order costing system.
Topic: Job-Order Costing—The Flow of Costs

11. Underapplied or overapplied manufacturing overhead represents the difference between actual overhead costs and applied overhead costs.

TRUE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.
Topic: Underapplied and Overapplied Overhead

12. Top management salaries should not go into the Manufacturing Overhead account.

TRUE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.
Topic: Job-Order Costing—The Flow of Costs

13. If manufacturing overhead applied exceeds the actual manufacturing overhead costs of the period, then manufacturing overhead is overapplied.

TRUE

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Understand
Difficulty: 1 Easy
Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.
Topic: Underapplied and Overapplied Overhead

Multiple Choice Questions

14. In computing its predetermined overhead rate, Marple Company inadvertently left its indirect labor costs out of the computation. This oversight will cause:

A. Manufacturing Overhead to be overapplied.

B. the Cost of Goods Manufactured to be understated.

C. the debits to the Manufacturing Overhead account to be understated.

D. the ending balance in Work in Process to be overstated.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Understand
Difficulty: 3 Hard
Learning Objective: 02-01 Compute a predetermined overhead rate.
Learning Objective: 02-05 Use T-accounts to show the flow of costs in a job-order costing system.
Topic: Job-Order Costing
Topic: Job-Order Costing—The Flow of Costs

15. Which of the following is the correct formula to compute the predetermined overhead rate?

A. Estimated total units in the allocation base divided by estimated total manufacturing overhead costs.

B. Estimated total manufacturing overhead costs divided by estimated total units in the allocation base.

C. Actual total manufacturing overhead costs divided by estimated total units in the allocation base.

D. Estimated total manufacturing overhead costs divided by actual total units in the allocation base.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Compute a predetermined overhead rate.
Topic: Job-Order Costing

16. Which of the following would probably be the least appropriate allocation base for allocating overhead in a highly automated manufacturer of specialty valves?

A. machine-hours
B. power consumption
C. direct labor-hours
D. machine setups

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Remember
Difficulty: 3 Hard
Learning Objective: 02-01 Compute a predetermined overhead rate.
Topic: Job-Order Costing

17. What document is used to determine the actual amount of direct labor to record on a job cost sheet?

A. time ticket
B. payroll register
C. production order
D. wages payable account

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 Compute the total cost and average cost per unit of a job.

Topic: Job-Order Costing

18. A proper journal entry to close overapplied manufacturing overhead to Cost of Goods Sold would be:

A)	Cost of Goods Sold	XXX	
	Work in Process		XXX
B)	Cost of Goods Sold	XXX	
	Manufacturing Overhead		XXX
C)	Cost of Goods Sold	XXX	
	Finished Goods		XXX
D)	Manufacturing Overhead	XXX	
	Cost of Goods Sold		XXX

A. Option A

B. Option B

C. Option C

D. Option D

AACSB: Reflective Thinking

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.

Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.

Topic: Job-Order Costing—The Flow of Costs

Topic: Underapplied and Overapplied Overhead

19. In a job-order costing system, direct labor cost is ordinarily debited to:

A. Manufacturing Overhead.
B. Cost of Goods Sold.
C. Finished Goods.
D. Work in Process.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.
Topic: Job-Order Costing—The Flow of Costs

20. In a job-order costing system, the use of direct materials that have been previously purchased is recorded as a debit to:

A. Raw Materials inventory.
B. Work in Process inventory.
C. Finished Goods inventory.
D. Manufacturing Overhead.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.

Topic: Job-Order Costing—The Flow of Costs

21. The journal entry to record the incurrence of indirect labor costs is:

A)	Wages Payable	XXX	
	Manufacturing Overhead		XXX
B)	Work In Process	XXX	
	Wages Payable		XXX
C)	Manufacturing Overhead	XXX	
	Wages Payable		XXX
D)	Wages Payable	XXX	
	Work In Process		XXX

A. Option A

B. Option B

C. Option C

D. Option D

AACSB: Reflective Thinking

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.

Topic: Job-Order Costing—The Flow of Costs

22. Which of the following accounts is debited when direct labor is recorded?

A. Work in process
B. Salaries and wages expense
C. Salaries and wages payable
D. Manufacturing overhead

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.
Topic: Job-Order Costing—The Flow of Costs

23. The balance in the Work in Process account equals:

A. the balance in the Finished Goods inventory account.
B. the balance in the Cost of Goods Sold account.
C. the balances on the job cost sheets of uncompleted jobs.
D. the balance in the Manufacturing Overhead account.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Use T-accounts to show the flow of costs in a job-order costing system.
Topic: Job-Order Costing—The Flow of Costs

24. In a job-order costing system, indirect materials that have been previously purchased and that are used in production are recorded as a debit to:

A. Work in Process inventory.
B. Manufacturing Overhead.
C. Finished Goods inventory.
D. Raw Materials inventory.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-05 Use T-accounts to show the flow of costs in a job-order costing system.
Topic: Job-Order Costing—The Flow of Costs

25. Martinez Aerospace Company uses a job-order costing system. The direct materials for Job #045391 were purchased in July and put into production in August. The job was not completed by the end of August. At the end of August, in what account would the direct material cost assigned to Job #045391 be located?

A. raw materials inventory
B. work in process inventory
C. finished goods inventory
D. cost of goods manufactured

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-05 Use T-accounts to show the flow of costs in a job-order costing system.

Topic: Job-Order Costing—The Flow of Costs

26. Which terms will make the following statement true? When manufacturing overhead is overapplied, the Manufacturing Overhead account has a _____ balance and applied manufacturing overhead is greater than _____ manufacturing overhead.

A. debit, actual

B. credit, actual

C. debit, estimated

D. credit, estimated

AACSB: Reflective Thinking

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.

Topic: Underapplied and Overapplied Overhead

27. Overapplied manufacturing overhead occurs when:

A. applied overhead exceeds actual overhead.

B. applied overhead exceeds estimated overhead.

C. actual overhead exceeds estimated overhead.

D. budgeted overhead exceeds actual overhead.

AACSB: Reflective Thinking
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.
Topic: Underapplied and Overapplied Overhead

28. Daguio Corporation uses direct labor-hours in its predetermined overhead rate. At the beginning of the year, the total estimated manufacturing overhead was $224,580. At the end of the year, actual direct labor-hours for the year were 18,200 hours, manufacturing overhead for the year was underapplied by $12,100, and the actual manufacturing overhead was $219,580. The predetermined overhead rate for the year must have been closest to:

A. $11.40 per machine-hour
B. $12.34 per machine-hour
C. $12.06 per machine-hour
D. $10.53 per machine-hour

Manufacturing overhead applied = Actual overhead - Underapplied overhead
= $219,580 - $12,100
= $207,480

Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total amount of the allocation base = $207,480 ÷ 18,200 direct labor-hours = $11.40 per direct labor-hour

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-01 Compute a predetermined overhead rate.
Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.
Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.

Topic: Job-Order Costing

Topic: Underapplied and Overapplied Overhead

29. Wert Corporation uses a predetermined overhead rate based on direct labor cost to apply manufacturing overhead to jobs. Last year, the company's estimated manufacturing overhead was $1,200,000 and its estimated level of activity was 50,000 direct labor-hours. The company's direct labor wage rate is $12 per hour. Actual manufacturing overhead amounted to $1,240,000, with actual direct labor cost of $650,000. For the year, manufacturing overhead was:

A. overapplied by $60,000
B. underapplied by $60,000
C. overapplied by $40,000
D. underapplied by $44,000

Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total amount of the allocation base = $1,200,000 ÷ 50,000 direct labor-hours
= $24.00 per direct labor-hour

Wage rate per hour = Actual direct labor cost ÷ Actual direct labor-hours
Actual direct labor-hours = Actual direct labor cost ÷ Wage rate per hour
= $650,000 ÷ $12.00 per direct labor-hour
= 54,166.67 direct labor-hours

Manufacturing overhead applied = Predetermined overhead rate × Actual direct labor-hours
= $24.00 per direct labor-hour × 54,166.67 direct labor-hours
= $1,300,000

Manufacturing overhead incurred	$1,240,000
Manufacturing overhead applied.....	1,300,000
Manufacturing overhead overapplied.....	$ 60,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-01 Compute a predetermined overhead rate.

Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.

Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.

Topic: Job-Order Costing

Topic: Underapplied and Overapplied Overhead

30. Crinks Corporation uses direct labor-hours in its predetermined overhead rate. At the beginning of the year, the estimated direct labor-hours were 11,200 hours and the total estimated manufacturing overhead was $259,840. At the end of the year, actual direct labor-hours for the year were 10,800 hours and the actual manufacturing overhead for the year was $254,840. Overhead at the end of the year was:

A. $4,280 overapplied
B. $9,280 overapplied
C. $9,280 underapplied
D. $4,280 underapplied

Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total amount of the allocation base
= $259,840 ÷ 11,200 direct labor-hours
= $23.20 per direct labor-hour

Manufacturing overhead applied = Predetermined overhead rate × Actual direct labor-hours
= $23.20 per direct labor-hour × 10,800 direct labor-hours
= $250,560

Manufacturing overhead incurred	$254,840
Manufacturing overhead applied	250,560
Manufacturing overhead underapplied	$ 4,280

AACSB: Analytic
AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-01 Compute a predetermined overhead rate.

Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.

Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.

Topic: Job-Order Costing

Topic: Underapplied and Overapplied Overhead

31. At the beginning of the year, manufacturing overhead for the year was estimated to be $267,500. At the end of the year, actual direct labor-hours for the year were 22,100 hours, the actual manufacturing overhead for the year was $262,500, and manufacturing overhead for the year was overapplied by $13,750. If the predetermined overhead rate is based on direct labor-hours, then the estimated direct labor-hours at the beginning of the year used in the predetermined overhead rate must have been:

A. 22,100 direct labor-hours
B. 19,900 direct labor-hours
C. 21,000 direct labor-hours
D. 21,400 direct labor-hours

Manufacturing overhead applied = Actual overhead + Overapplied overhead
= $262,500 + $13,750
= $276,250

Manufacturing overhead applied = Predetermined overhead rate × Actual direct labor-hours
Predetermined overhead rate = Manufacturing overhead applied ÷ Actual direct labor-hours
= $276,250 ÷ 22,100 direct labor-hours
= $12.50 per direct labor-hour

Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated direct labor-hours
Estimated direct labor-hours = Estimated total manufacturing overhead ÷

Predetermined overhead rate

= $267,500 ÷ $12.50 per direct labor-hour

= 21,400 direct labor-hours

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-01 Compute a predetermined overhead rate.

Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.

Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.

Topic: Job-Order Costing

Topic: Underapplied and Overapplied Overhead

32. Brace Corporation uses direct labor-hours in its predetermined overhead rate. At the beginning of the year, the estimated direct labor-hours were 21,600 hours. At the end of the year, actual direct labor-hours for the year were 20,400 hours, the actual manufacturing overhead for the year was $506,920, and manufacturing overhead for the year was underapplied by $23,440. The estimated manufacturing overhead at the beginning of the year used in the predetermined overhead rate must have been:

A. $501,920
B. $531,445
C. $483,480
D. $511,920

Underapplied overhead = Actual overhead - Manufacturing overhead applied
Manufacturing overhead applied = Actual overhead - Underapplied overhead
= $506,920 - $23,440
= $483,480

Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total amount of the allocation base = $483,480 ÷ 20,400 direct labor-hours
= $23.70 per direct labor-hour

Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total amount of the allocation base
Estimated total manufacturing overhead = Predetermined overhead rate × Estimated total amount of the allocation base

= $23.70 per direct labor-hour × 21,600 direct labor-hours

= $511,920

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-01 Compute a predetermined overhead rate.

Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.

Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.

Topic: Job-Order Costing

Topic: Underapplied and Overapplied Overhead

33. Yista Corporation uses a predetermined overhead rate based on direct labor-hours to apply manufacturing overhead to jobs. The company estimated manufacturing overhead at $510,000 for the year and direct labor-hours at 100,000 hours. Actual manufacturing overhead costs incurred during the year totaled $540,000. Actual direct labor-hours were 105,000. What was the overapplied or underapplied overhead for the year?

A. $30,000 overapplied
B. $30,000 underapplied
C. $4,500 overapplied
D. $4,500 underapplied

Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total amount of the allocation base
= $510,000 ÷ 100,000 direct labor-hours
= $5.10 per direct labor-hour

Applied overhead = Predetermined overhead rate × Actual direct labor-hours
= $5.10 per direct labor-hour × 105,000 direct labor-hours
= $535,500

Overapplied/underapplied manufacturing overhead = Actual manufacturing overhead - Applied overhead
= $540,000 - $535,500
= $4,500 Underapplied

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-01 Compute a predetermined overhead rate.

Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.

Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.

Topic: Job-Order Costing

Topic: Underapplied and Overapplied Overhead

34. Malcolm Company uses a predetermined overhead rate based on direct labor-hours to apply manufacturing overhead to jobs.

On September 1, the estimates for the month were:	
Manufacturing overhead	$17,000
Direct labor-hours	13,600
During September, the actual results were:	
Manufacturing overhead	$18,500
Direct labor-hours	12,000

The cost records for September will show:

A. Overapplied manufacturing overhead of $1,500

B. Underapplied overhead of $1,500

C. Overapplied manufacturing overhead of $3,500

D. Underapplied overhead of $3,500

Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total amount of the allocation base

= $17,000 ÷ 13,600 direct labor-hours

= $1.25 per direct labor-hour

Applied overhead = Predetermined overhead rate × Actual direct labor-hours

= $1.25 per direct labor-hour × 12,000 direct labor-hours

= $15,000

Overapplied/underapplied manufacturing overhead = Actual manufacturing overhead - Applied overhead

= $18,500 - $15,000

= $3,500 Underapplied

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-01 Compute a predetermined overhead rate.

Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.

Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.

Topic: Job-Order Costing

Topic: Underapplied and Overapplied Overhead

35. The Work in Process inventory account of a manufacturing firm shows a balance of $3,000 at the end of an accounting period. The job cost sheets of two uncompleted jobs show charges of $500 and $300 for direct materials, and charges of $400 and $600 for direct labor. From this information, it appears that the company is using a predetermined overhead rate, as a percentage of direct labor costs, of:

A. 83%

B. 120%

C. 40%

D. 300%

Work-in-Process = Direct materials + Direct labor + Manufacturing overhead applied
$3,000 = ($500 + $300) + ($400 + $600) + Manufacturing overhead applied
$1,200 = Manufacturing overhead applied

Manufacturing overhead applied = Predetermined overhead rate × Direct labor cost
Predetermined overhead rate = Manufacturing overhead applied ÷ Direct labor cost
= $1,200 ÷ $1,000 direct labor cost
= 120% of direct labor cost

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-01 Compute a predetermined overhead rate.

Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.

Topic: Job-Order Costing

36. Washtenaw Corporation uses a job-order costing system. The following data are for last year:

Estimated direct labor-hours	12,000
Estimated manufacturing overhead costs	$39,000
Actual direct labor-hours	11,000
Actual manufacturing overhead costs	$37,000

Washtenaw applies overhead using a predetermined rate based on direct labor-hours. What predetermined overhead rate was used last year?

A. $3.55 per direct labor-hour

B. $3.25 per direct labor-hour

C. $3.08 per direct labor-hour

D. $3.36 per direct labor-hour

Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total amount of the allocation base

= $39,000 ÷ 12,000 direct labor-hours

= $3.25 per direct labor-hour

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium
Learning Objective: 02-01 Compute a predetermined overhead rate.
Topic: Job-Order Costing

37. Capalbo Corporation bases its predetermined overhead rate on the estimated labor-hours for the upcoming year. At the beginning of the most recently completed year, the company estimated the labor-hours for the upcoming year at 52,000 labor-hours. The estimated variable manufacturing overhead was $2.78 per labor-hour and the estimated total fixed manufacturing overhead was $1,192,360. The actual labor-hours for the year turned out to be 52,600 labor-hours. The predetermined overhead rate for the recently completed year was closest to:

A. $2.78
B. $25.45
C. $25.71
D. $22.93

Estimated total manufacturing overhead = $1,192,360 + ($2.78 per labor-hour × 52,000 labor-hours) = $1,336,920
Predetermined overhead rate = $1,336,920 ÷ 52,000 labor-hours = $25.71 per labor-hour

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-01 Compute a predetermined overhead rate.
Topic: Job-Order Costing

38. Compton Company uses a predetermined overhead rate in applying overhead to production orders on a labor cost basis in Department A and on a machine-hours basis in Department B. At the beginning of the most recently completed year, the company made the following estimates:

	Dept. A	Dept. B
Direct labor cost	$56,000	$33,000
Manufacturing overhead	$67,200	$45,000
Direct labor-hours	8,000	9,000
Machine-hours	4,000	15,000

What predetermined overhead rate would be used in Department A and Department B, respectively?

A. 83% and $5

B. 83% and $3

C. 120% and $3

D. 83% and $4

Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total amount of the allocation base

= $67,200 ÷ $56,000 direct labor cost

= 120% of direct labor cost

Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total amount of the allocation base

= $45,000 ÷ 15,000 machine-hours

= $3 per machine-hour

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-01 Compute a predetermined overhead rate.

Topic: Job-Order Costing

39. Hayne Corporation bases its predetermined overhead rate on the estimated machine-hours for the upcoming year. Data for the most recently completed year appear below:

Estimates made at the beginning of the year:		
Estimated machine-hours	19,000	
Estimated variable manufacturing overhead	$7.89	per machine-hour
Estimated total fixed manufacturing overhead	$465,880	
Actual machine-hours for the year	20,200	

The predetermined overhead rate for the recently completed year was closest to:

A. $7.89

B. $30.95

C. $24.52

D. $32.41

Estimated total manufacturing overhead = $465,880 + ($7.89 per machine-hour × 19,000 machine-hours) = $615,790

Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total amount of the allocation base = $615,790 ÷ 19,000 machine-hours = $32.41 per machine-hour

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-01 Compute a predetermined overhead rate.

Topic: Job-Order Costing

40. The Collins Company uses predetermined overhead rates to apply manufacturing overhead to jobs. The predetermined overhead rate is based on labor cost in Dept. A and machine-hours in Dept. B. At the beginning of the year, the company made the following estimates:

	Dept A	Dept B
Direct labor cost	$65,000	$42,000
Manufacturing overhead	$91,000	$48,000
Direct labor-hours	8,000	10,000
Machine-hours	3,000	12,000

What predetermined overhead rates would be used in Dept A and Dept B, respectively?

A. 71% and $4.00

B. 140% and $4.00

C. 140% and $4.80

D. 71% and $4.80

Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total amount of the allocation base = $91,000 ÷ $65,000 direct labor cost = 140% of direct labor cost

Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total amount of the allocation base = $48,000 ÷ 12,000 machine-hours = $4 per machine-hour

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement
Blooms: Apply
Difficulty: 1 Easy
Learning Objective: 02-01 Compute a predetermined overhead rate.
Topic: Job-Order Costing

41. Simoneaux Corporation bases its predetermined overhead rate on the estimated machine-hours for the upcoming year. At the beginning of the most recently completed year, the company estimated the machine-hours for the upcoming year at 22,000 machine-hours. The estimated variable manufacturing overhead was $8.65 per machine-hour and the estimated total fixed manufacturing overhead was $609,400. The predetermined overhead rate for the recently completed year was closest to:

A. $36.35 per machine-hour
B. $27.70 per machine-hour
C. $33.32 per machine-hour
D. $8.65 per machine-hour

Estimated total manufacturing overhead = $609,400 + ($8.65 per machine-hour × 22,000 machine-hours) = $799,700
Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total amount of the allocation base
= $799,700 ÷ 22,000 machine-hours = $36.35 per machine-hour

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-01 Compute a predetermined overhead rate.

Topic: Job-Order Costing

42. Kelsh Company uses a predetermined overhead rate based on machine-hours to apply manufacturing overhead to jobs. The company has provided the following estimated costs for next year:

Direct materials	$10,000
Direct labor	$30,000
Sales commissions	$40,000
Salary of production supervisor	$20,000
Indirect materials	$4,000
Advertising expense	$8,000
Rent on factory equipment	$10,000

Kelsh estimates that 5,000 direct labor-hours and 10,000 machine-hours will be worked during the year. The predetermined overhead rate per hour will be:

A. $6.80

B. $6.40

C. $3.40

D. $8.20

Estimated total manufacturing overhead = Estimated salary of production supervisor + Estimated indirect materials + Estimated rent on factory equipment
= $20,000 + $4,000 + $10,000
= $34,000

Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total amount of the allocation base
= $34,000 ÷ 10,000 machine-hours
= $3.40 per machine-hour

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-01 Compute a predetermined overhead rate.

Topic: Job-Order Costing

43. Kaiser Corporation bases its predetermined overhead rate on the estimated machine-hours for the upcoming year. Data for the upcoming year appear below:

Estimated machine-hours	70,000	
Estimated variable manufacturing overhead	$6.68	per machine-hour
Estimated total fixed manufacturing overhead	$1,283,800	

The predetermined overhead rate for the recently completed year was closest to:

A. $6.68

B. $25.02

C. $25.59

D. $18.34

Estimated total manufacturing overhead = $1,283,800 + ($6.68 per machine-hour × 70,000 machine-hours) = $1,751,400

Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total amount of the allocation base

= $1,751,400 ÷ 70,000 machine-hours

= $25.02 per machine-hour

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-01 Compute a predetermined overhead rate.

Topic: Job-Order Costing

44. The following data have been recorded for recently completed Job 674 on its job cost sheet. Direct materials cost was $2,039. A total of 32 direct labor-hours and 175 machine-hours were worked on the job. The direct labor wage rate is $14 per labor-hour. The company applies manufacturing overhead on the basis of machine-hours. The predetermined overhead rate is $15 per machine-hour. The total cost for the job on its job cost sheet would be:

A. $2,967

B. $2,487

C. $2,068

D. $5,112

Direct materials	$2,039
Direct labor (32 direct labor-hours × $14.00 per direct labor-hour)	448
Overhead (175 machine-hours × $15.00 per machine-hour)	2,625
Total manufacturing cost for Job 674	$5,112

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.

Learning Objective: 02-03 Compute the total cost and average cost per unit of a job.

Topic: Job-Order Costing

45. Job 731 was recently completed. The following data have been recorded on its job cost sheet:

Direct materials	$2,391	
Direct labor-hours	69	labor-hours
Direct labor wage rate	$13	per labor-hour
Machine-hours	129	machine-hours

The company applies manufacturing overhead on the basis of machine-hours. The predetermined overhead rate is $14 per machine-hour. The total cost that would be recorded on the job cost sheet for Job 731 would be:

A. $3,288

B. $5,094

C. $4,254

D. $2,418

Direct materials	$2,391
Direct labor (69 direct labor-hours × $13.00 per direct labor-hour)	897
Overhead (129 machine-hours × $14.00 per machine-hour)	1,806
Total manufacturing cost for Job 731	$5,094

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.

Learning Objective: 02-03 Compute the total cost and average cost per unit of a job.

Topic: Job-Order Costing

46. The operations of the Kerry Company resulted in underapplied overhead of $5,000. The entry to close out this balance to Cost of Goods Sold and the effect of the underapplied overhead on Cost of Goods Sold would be:

	Journal Entry			Effect on Cost of Goods Sold
A)	**Manufacturing Overhead**	**5,000**		**Deduct $5,000**
	Cost of Goods Sold		**5,000**	
B)	**Cost of Goods Sold**	**5,000**		**Deduct $5,000**
	Manufacturing Overhead		**5,000**	
C)	**Cost of Goods Sold**	**5,000**		**Add $5,000**
	Manufacturing Overhead		**5,000**	
D)	**Manufacturing Overhead**	**5,000**		**Add $5,000**
	Cost of Goods Sold		**5,000**	

A. Option A

B. Option B

C. Option C

D. Option D

Cost of Goods Sold	5,000		Add $5,000
Manufacturing Overhead		5,000	

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.

Learning Objective: 02-06 Prepare schedules of cost of goods manufactured and cost of goods sold and an income statement.

Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.

Topic: Job-Order Costing—The Flow of Costs

Topic: Schedules of Cost of Goods Manufactured and Cost of Goods Sold

Topic: Underapplied and Overapplied Overhead

47. Reichelderfer Corporation has provided data concerning the company's Manufacturing Overhead account for the month of August. Prior to the closing of the overapplied or underapplied balance to Cost of Goods Sold, the total of the debits to the Manufacturing Overhead account was $50,000 and the total of the credits to the account was $72,000. Which of the following statements is true?

A. Manufacturing overhead transferred from Finished Goods to Cost of Goods Sold during the month was $72,000.
B. Manufacturing overhead applied to Work in Process for the month was $50,000.
C. Actual manufacturing overhead for the month was $50,000.
D. Manufacturing overhead for the month was underapplied by $22,000.

The debits to the Manufacturing Overhead account consist of the actual manufacturing overhead for the month.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.
Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.
Topic: Job-Order Costing—The Flow of Costs
Topic: Underapplied and Overapplied Overhead

48. Hults Corporation has provided data concerning the company's Manufacturing Overhead account for the month of November. Prior to the closing of the overapplied or underapplied balance to Cost of Goods Sold, the total of the debits to the Manufacturing Overhead account was $75,000 and the total of the credits to the account was $57,000. Which of the following statements is true?

A. Manufacturing overhead transferred from Finished Goods to Cost of Goods Sold during the month was $75,000.
B. Actual manufacturing overhead incurred during the month was $57,000.
C. Manufacturing overhead applied to Work in Process for the month was $75,000.
D. Manufacturing overhead for the month was underapplied by $18,000.

Actual manufacturing overhead (debit)	$75,000
Applied manufacturing overhead (credit)	57,000
Underapplied manufacturing overhead (debit)	$18,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.
Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.
Topic: Job-Order Costing—The Flow of Costs
Topic: Underapplied and Overapplied Overhead

49. Vandagriff Corporation has provided data concerning the company's Manufacturing Overhead account for the month of June. Prior to the closing of the overapplied or underapplied balance to Cost of Goods Sold, the total of the debits to the Manufacturing Overhead account was $77,000 and the total of the credits to the account was $64,000. Which of the following statements is true?

A. Manufacturing overhead transferred from Finished Goods to Cost of Goods Sold during the month was $77,000.

B. Manufacturing overhead applied to Work in Process for the month was $64,000.

C. Manufacturing overhead for the month was overapplied by $13,000.

D. Actual manufacturing overhead incurred during the month was $64,000.

The credits to the Manufacturing overhead account consist of manufacturing overhead applied.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.
Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.
Topic: Job-Order Costing—The Flow of Costs
Topic: Underapplied and Overapplied Overhead

50. During October, Crusan Corporation incurred $62,000 of direct labor costs and $4,000 of indirect labor costs. The journal entry to record the accrual of these wages would include a:

A. debit to Work in Process of $66,000

B. credit to Work in Process of $66,000

C. debit to Work in Process of $62,000

D. credit to Work in Process of $62,000

Work in Process	$62,000	
Manufacturing Overhead	$4,000	
Salaries and Wages Payable		$66,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.

Topic: Job-Order Costing—The Flow of Costs

51. During December at Ingrim Corporation, $74,000 of raw materials were requisitioned from the storeroom for use in production. These raw materials included both direct and indirect materials. The indirect materials totaled $6,000. The journal entry to record the requisition from the storeroom would include a:

A. debit to Raw Materials of $74,000

B. debit to Work in Process of $68,000

C. credit to Manufacturing Overhead of $6,000

D. debit to Work in Process of $74,000

Work in Process	$68,000	
Manufacturing Overhead	$6,000	
Raw Materials		$74,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 1 Easy
Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.
Topic: Job-Order Costing—The Flow of Costs

52. Stickles Corporation incurred $79,000 of actual Manufacturing Overhead costs during August. During the same period, the Manufacturing Overhead applied to Work in Process was $75,000. The journal entry to record the incurrence of the actual Manufacturing Overhead costs would include a:

A. debit to Manufacturing Overhead of $79,000
B. credit to Manufacturing Overhead of $79,000
C. credit to Work in Process of $75,000
D. debit to Work in Process of $75,000

Manufacturing Overhead	$79,000	
Accounts Payable, Cash, other asset accounts		$79,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 1 Easy
Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.
Topic: Job-Order Costing—The Flow of Costs

53. Valles Corporation had $22,000 of raw materials on hand on February 1. During the month, the company purchased an additional $75,000 of raw materials. The journal entry to record the purchase of raw materials would include a:

A. credit to Raw Materials of $97,000

B. debit to Raw Materials of $97,000

C. credit to Raw Materials of $75,000

D. debit to Raw Materials of $75,000

Raw Materials	$75,000	
Accounts Payable		$75,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.

Topic: Job-Order Costing—The Flow of Costs

54. Wedd Corporation had $35,000 of raw materials on hand on May 1. During the month, the company purchased an additional $68,000 of raw materials. During May, $92,000 of raw materials were requisitioned from the storeroom for use in production. These raw materials included both direct and indirect materials. The indirect materials totaled $5,000. The debits to the Work in Process account as a consequence of the raw materials transactions in May total:

A. $92,000

B. $0

C. $68,000

D. $87,000

Work in Process	$87,000	
Manufacturing Overhead	$5,000	
Raw Materials		$92,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.

Topic: Job-Order Costing—The Flow of Costs

55. During February, Degan Inc. transferred $60,000 from Work in Process to Finished Goods and recorded a Cost of Goods Sold of $65,000. The journal entries to record these transactions would include a:

A. debit to Finished Goods of $65,000

B. credit to Cost of Goods Sold of $65,000

C. credit to Work in Process of $60,000

D. credit to Finished Goods of $60,000

Finished Goods	$60,000	
Work in Process		$60,000
Cost of Goods Sold	$65,000	
Finished Goods		$65,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.

Topic: Job-Order Costing—The Flow of Costs

56. Kirson Corporation incurred $89,000 of actual Manufacturing Overhead costs during December. During the same period, the Manufacturing Overhead applied to Work in Process was $92,000. The journal entry to record the application of Manufacturing Overhead to Work in Process would include a:

A. debit to Manufacturing Overhead of $92,000
B. debit to Work in Process of $89,000
C. credit to Manufacturing Overhead of $92,000
D. credit to Work in Process of $89,000

Manufacturing Overhead	$89,000	
Accounts Payable, Cash, other asset accounts		$89,000
Work in Process	$92,000	
Manufacturing Overhead		$92,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 1 Easy
Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.
Topic: Job-Order Costing—The Flow of Costs

57. At the beginning of August, Hogancamp Corporation had $26,000 of raw materials on hand. During the month, the company purchased an additional $73,000 of raw materials. During August, $77,000 of raw materials were requisitioned from the storeroom for use in production. The credits to the Raw Materials account for the month of August total:

A. $73,000

B. $77,000

C. $99,000

D. $26,000

Raw Materials	$73,000	
Accounts Payable		$73,000
Work in Process	$77,000	
Raw Materials		$77,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.

Topic: Job-Order Costing—The Flow of Costs

58. During July at Tiner Corporation, $74,000 of raw materials were requisitioned from the storeroom for use in production. These raw materials included both direct and indirect materials. The indirect materials totaled $7,000. The journal entry to record this requisition would include a debit to Manufacturing Overhead of:

A. $0

B. $74,000

C. $7,000

D. $67,000

Work in Process	$67,000	
Manufacturing Overhead	$7,000	
Raw Materials		$74,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.

Topic: Job-Order Costing—The Flow of Costs

59. On February 1, Caddell Corporation had $28,000 of raw materials on hand. During the month, the company purchased an additional $70,000 of raw materials. During February, $81,000 of raw materials were requisitioned from the storeroom for use in production. The debits to the Raw Materials account for the month of February total:

A. $98,000

B. $70,000

C. $28,000

D. $81,000

Raw Materials	$70,000	
Accounts Payable		$70,000
Work in Process	$81,000	
Raw Materials		$81,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.

Topic: Job-Order Costing—The Flow of Costs

60. In May, Hervey Inc. incurred $60,000 of direct labor costs and $3,000 of indirect labor costs. The journal entry to record the accrual of these wages would include a:

A. credit to Manufacturing Overhead of $3,000

B. debit to Work in Process of $63,000

C. credit to Work in Process of $63,000

D. debit to Manufacturing Overhead of $3,000

Work in Process	$60,000	
Manufacturing Overhead	$3,000	
Salaries and Wages Payable		$63,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.

Topic: Job-Order Costing—The Flow of Costs

61. The Donaldson Company uses a job-order costing system. The following data were recorded for July:

Job Number	July 1 Work in Process Inventory	Added During July	
		Direct Materials	Direct Labor
475	$1,500	$500	$300
476	$1,000	$700	$900
477	$900	$1,000	$1,500
478	$700	$1,200	$2,000

Overhead is applied to jobs at the rate of 80% of direct materials cost. Jobs 475, 477, and 478 were completed during July and transferred to finished goods. Jobs 475 and 478 have been delivered to the customer. Donaldson's Work in Process inventory balance on July 31 was:

A. $7,280

B. $2,600

C. $3,160

D. $3,320

Job Number	July 1 Work in Process Inventory	Added during July			
		Direct Materials	Direct Labor	Overhead	Total
475	$1,500	$ 500	$ 300	$ 400[1]	$ 2,700
476	1,000	$700	900	560[2]	3,160
477	900	1,000	1,500	800[3]	4,200
478	700	1,200	2,000	960[4]	4,860
Totals	$4,100	$3,400	$4,700	$2,720	$14,920

Overhead applied = Overhead rate × Direct materials

[1] 80% × $500 = $400

[2] 80% × $700 = $560

[3] 80% × $1,000 = $800

[4] 80% × $1,200 = $960

Job 476 remains in Work in Process at the end of July valued at $3,160

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.

Learning Objective: 02-05 Use T-accounts to show the flow of costs in a job-order costing system.

Topic: Job-Order Costing

Topic: Job-Order Costing—The Flow of Costs

62. Pinnini Co. uses a predetermined overhead rate based on direct labor-hours to apply manufacturing overhead to jobs. Last year, Pinnini Company incurred $225,000 in actual manufacturing overhead cost. The Manufacturing Overhead account showed that overhead was overapplied $14,500 for the year. If the predetermined overhead rate was $5.00 per direct labor-hour, how many hours did the company work during the year?

A. 45,000 hours

B. 47,900 hours

C. 42,100 hours

D. 44,000 hours

Overapplied manufacturing overhead = Manufacturing overhead applied - Actual manufacturing overhead
Manufacturing overhead applied = Actual manufacturing overhead + Overapplied manufacturing overhead
= $225,000 + $14,500
= $239,500

Manufacturing overhead applied = Predetermined overhead rate × Actual direct labor-hours
Actual direct labor-hours = Manufacturing overhead applied ÷ Predetermined overhead rate
= $239,500 ÷ $5.00 per direct labor-hour
= 47,900 direct labor-hours

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.

Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.

Topic: Job-Order Costing

Topic: Underapplied and Overapplied Overhead

63. Dowan Company uses a predetermined overhead rate based on direct labor-hours to apply manufacturing overhead to jobs. Last year Dowan Company incurred $156,600 in actual manufacturing overhead cost. The Manufacturing Overhead account showed that manufacturing overhead was underapplied by $12,600 for the year. If the predetermined overhead rate is $6.00 per direct labor-hour, how many hours did the company work during the year?

A. 26,000 hours

B. 24,000 hours

C. 28,200 hours

D. 25,000 hours

Underapplied manufacturing overhead = Actual manufacturing overhead - Manufacturing overhead applied

Manufacturing overhead applied = Actual manufacturing overhead - Underapplied manufacturing overhead

= $156,600 - $12,600

= $144,000

Manufacturing overhead applied = Predetermined overhead rate × Actual direct labor-hours

Actual direct labor-hours = Manufacturing overhead applied ÷ Predetermined overhead rate

= $144,000 ÷ $6.00 per direct labor-hour

= 24,000 direct labor-hours

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.
Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.
Topic: Job-Order Costing
Topic: Underapplied and Overapplied Overhead

64. Kelson Company applies overhead to jobs on the basis of 60% of direct labor cost. If Job 201 shows $27,000 of manufacturing overhead applied, the direct labor cost on the job was:

A. $16,200
B. $27,000
C. $37,800
D. $45,000

Manufacturing overhead applied = Predetermined overhead rate × Actual direct labor cost
Actual direct labor cost = Manufacturing overhead applied ÷ Predetermined overhead rate
= $27,000 ÷ 0.60
= $45,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.

Topic: Job-Order Costing

65. The following accounts are from last year's books at Sharp Manufacturing:

Raw Materials			
Beg Bal	0	77,000	(b)
(a)	82,000		
	5,000		

Finished Goods			
Beg Bal	0	230,000	(g)
(f)	255,000		
	25,000		

Work in Process			
Beg Bal	0	255,000	(f)
(b)	66,000		
(c)	84,000		
(e)	105,000		
	0		

Manufacturing Overhead			
(b)	11,000	105,000	(e)
(c)	13,000		
(d)	78,000		
		3,000	
(h)	3,000		

Cost of Goods Sold			
(g)	230,000		
		3,000	(h)
	227,000		

Sharp uses job-order costing and applies manufacturing overhead to jobs based on direct labor costs. What is the amount of cost of goods manufactured for the year?

A. $252,000

B. $227,000

C. $230,000

D. $255,000

Cost of goods manufactured is represented by the debit to Finished Goods and the credit to Work in Process (entry f) = $255,000 cost of goods manufactured

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-05 Use T-accounts to show the flow of costs in a job-order costing system.

Topic: Job-Order Costing—The Flow of Costs

66. Jurper Corporation used $150,000 of direct materials during April. At the end of April, Jurper's direct materials inventory was $25,000 more than it was at the beginning of the month. Direct materials purchases during the April amounted to:

A. $0

B. $125,000

C. $150,000

D. $175,000

Beginning materials inventory + Direct materials purchases = Ending materials inventory + Direct materials used

Direct material purchases = Direct materials used + Increase in materials inventory

= $150,000 + $25,000

= $175,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-05 Use T-accounts to show the flow of costs in a job-order costing system.

Topic: Job-Order Costing—The Flow of Costs

67. Desrevisseau Inc., a manufacturing company, has provided the following data for the month of August. The balance in the Work in Process inventory account was $10,000 at the beginning of the month and $22,000 at the end of the month. During the month, the company incurred direct materials cost of $63,000 and direct labor cost of $39,000. The actual manufacturing overhead cost incurred was $40,000. The manufacturing overhead cost applied to Work in Process was $43,000. The cost of goods manufactured for August was:

A. $133,000
B. $142,000
C. $145,000
D. $130,000

Cost of goods manufactured = Direct materials + Direct labor + Manufacturing overhead applied + Beginning work in process inventory - Ending work in process inventory
= $63,000 + $39,000 + $43,000 + $10,000 - $22,000
= $133,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-06 Prepare schedules of cost of goods manufactured and cost of goods sold and an income statement.
Topic: Schedules of Cost of Goods Manufactured and Cost of Goods Sold

68. Under Lamprey Company's job-order costing system, manufacturing overhead is applied to Work in Process inventory using a predetermined overhead rate. During January, Lamprey's transactions included the following:

Direct materials issued to production	$90,000
Indirect materials issued to production	$8,000
Manufacturing overhead cost incurred	$125,000
Manufacturing overhead cost applied	$113,000
Direct labor cost incurred	$107,000

Lamprey Company had no beginning or ending inventories. What was the cost of goods manufactured for January?

A. $302,000

B. $310,000

C. $322,000

D. $330,000

Cost of goods manufactured = Direct materials + Direct labor + Manufacturing overhead applied + Beginning work in process inventory - Ending work in process inventory

= $90,000 + $107,000 + $113,000 + $0 - $0

= $310,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-06 Prepare schedules of cost of goods manufactured and cost of goods sold and an income statement.

Source: CMA, adapted

Topic: Schedules of Cost of Goods Manufactured and Cost of Goods Sold

69. Delhoyo Corporation, a manufacturing company, has provided data concerning its operations for September. The beginning balance in the raw materials account was $37,000 and the ending balance was $29,000. Raw materials purchases during the month totaled $57,000. Manufacturing overhead cost incurred during the month was $102,000, of which $2,000 consisted of raw materials classified as indirect materials. The direct materials cost for September was:

A. $63,000

B. $57,000

C. $65,000

D. $49,000

Direct materials cost = Beginning raw materials inventory + Raw materials purchases - Ending raw materials - Indirect materials

= $37,000 + 57,000 - $29,000 - $2,000

= $63,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-06 Prepare schedules of cost of goods manufactured and cost of goods sold and an income statement.

Topic: Schedules of Cost of Goods Manufactured and Cost of Goods Sold

70. Gest Inc. has provided the following data for the month of November. The balance in the Finished Goods inventory account at the beginning of the month was $49,000 and at the end of the month was $45,000. The cost of goods manufactured for the month was $226,000. The actual manufacturing overhead cost incurred was $74,000 and the manufacturing overhead cost applied to Work in Process was $70,000. The adjusted cost of goods sold that would appear on the income statement for November is:

A. $226,000
B. $230,000
C. $222,000
D. $234,000

Manufacturing overhead underapplied (overapplied) = Actual manufacturing overhead incurred - Manufacturing overhead applied = $74,000 - $70,000 = $4,000 underapplied
Adjusted cost of goods sold = Beginning finished goods inventory + Cost of goods manufactured - Ending finished goods inventory + Manufacturing overhead underapplied
= $49,000 + $226,000 - $45,000 + $4,000
= $234,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-06 Prepare schedules of cost of goods manufactured and cost of goods sold and an income statement.

Topic: Schedules of Cost of Goods Manufactured and Cost of Goods Sold

71. The actual manufacturing overhead incurred at Hogans Corporation during April was $59,000, while the manufacturing overhead applied to Work in Process was $74,000. The company's Cost of Goods Sold was $289,000 prior to closing out its Manufacturing Overhead account. The company closes out its Manufacturing Overhead account to Cost of Goods Sold. Which of the following statements is true?

A. Manufacturing overhead was overapplied by $15,000; Cost of Goods Sold after closing out the Manufacturing Overhead account is $274,000
B. Manufacturing overhead was underapplied by $15,000; Cost of Goods Sold after closing out the Manufacturing Overhead account is $274,000
C. Manufacturing overhead was overapplied by $15,000; Cost of Goods Sold after closing out the Manufacturing Overhead account is $304,000
D. Manufacturing overhead was underapplied by $15,000; Cost of Goods Sold after closing out the Manufacturing Overhead account is $304,000

Actual manufacturing overhead incurred	$ 59,000
Manufacturing overhead applied to Work in Process	74,000
Underapplied (overapplied) manufacturing overhead	$(15,000)

Adjusted cost of goods sold = Unadjusted cost of goods sold + Underapplied manufacturing overhead - Overapplied manufacturing overhead = $289,000 + $0 - $15,000 = $274,000

AACSB: Analytic

AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.
Topic: Underapplied and Overapplied Overhead

72. Sharp Company's records show that overhead was overapplied by $10,000 last year. This overapplied manufacturing overhead was closed out to the Cost of Goods Sold account at the end of the year. In trying to determine why overhead was overapplied by such a large amount, the company has discovered that $6,000 of depreciation on factory equipment was charged to administrative expense in error. Given the above information, which of the following statements is true?

A. Manufacturing overhead was actually overapplied by $16,000 for the year.
B. The company's net income is understated by $6,000 for the year.
C. Under the circumstances posed above, the error in recording depreciation would have no effect on net operating income for the year.
D. The $6,000 in depreciation should have been charged to Work in Process rather than to administrative expense.

If the entry for factory equipment depreciation had been correctly recorded, overhead would have been overapplied by $4,000 rather than $10,000. Recording factory equipment depreciation as administrative depreciation, while in error, has the same impact on net operating income as recording the entry correctly.

AACSB: Analytic
AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.

Topic: Underapplied and Overapplied Overhead

73. Lietz Corporation has provided the following data concerning manufacturing overhead for January:

Actual manufacturing overhead incurred.....	$52,000
Manufacturing overhead applied to Work in Process	$75,000

The company's Cost of Goods Sold was $369,000 prior to closing out its Manufacturing Overhead account. The company closes out its Manufacturing Overhead account to Cost of Goods Sold. Which of the following statements is true?

A. Manufacturing overhead was underapplied by $23,000; Cost of Goods Sold after closing out the Manufacturing Overhead account is $392,000

B. Manufacturing overhead was underapplied by $23,000; Cost of Goods Sold after closing out the Manufacturing Overhead account is $346,000

C. Manufacturing overhead was overapplied by $23,000; Cost of Goods Sold after closing out the Manufacturing Overhead account is $346,000

D. Manufacturing overhead was overapplied by $23,000; Cost of Goods Sold after closing out the Manufacturing Overhead account is $392,000

Actual manufacturing overhead incurred.....	$52,000
Manufacturing overhead applied to Work in Process	75,000
Underapplied (overapplied) manufacturing overhead	$(23,000)

Adjusted cost of goods sold = Unadjusted cost of goods sold + Underapplied manufacturing overhead - Overapplied manufacturing overhead = $369,000 + $0

- $23,000 = $346,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.

Topic: Underapplied and Overapplied Overhead

74. Bakker Corporation applies manufacturing overhead on the basis of direct labor-hours. At the beginning of the most recent year, the company based its predetermined overhead rate on total estimated overhead of $77,250 and 2,500 estimated direct labor-hours. Actual manufacturing overhead for the year amounted to $79,000 and actual direct labor-hours were 2,400.

The predetermined overhead rate for the year was closest to:

A. $29.66

B. $32.92

C. $31.60

D. $30.90

Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total direct labor-hours
= $77,250 ÷ 2,500 direct labor-hours
= $30.90 per direct labor-hour

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 1 Easy
Learning Objective: 02-01 Compute a predetermined overhead rate.
Topic: Job-Order Costing

75. Bakker Corporation applies manufacturing overhead on the basis of direct labor-hours. At the beginning of the most recent year, the company based its predetermined overhead rate on total estimated overhead of $77,250 and 2,500 estimated direct labor-hours. Actual manufacturing overhead for the year amounted to $79,000 and actual direct labor-hours were 2,400.

The applied manufacturing overhead for the year was closest to:

A. $74,160
B. $71,184
C. $75,840
D. $79,008

Manufacturing overhead applied = Predetermined overhead rate × Actual direct labor-hours
= $30.90 per direct labor-hour × 2,400 direct labor-hours
= $74,160

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 1 Easy
Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.
Topic: Job-Order Costing

76. Bakker Corporation applies manufacturing overhead on the basis of direct labor-hours. At the beginning of the most recent year, the company based its predetermined overhead rate on total estimated overhead of $77,250 and 2,500 estimated direct labor-hours. Actual manufacturing overhead for the year amounted to $79,000 and actual direct labor-hours were 2,400.

The overhead for the year was:

A. $3,090 overapplied

B. $4,840 underapplied

C. $4,840 overapplied

D. $3,090 underapplied

Actual manufacturing overhead incurred	$79,000
Manufacturing overhead applied to Work in Process	74,160
Underapplied (overapplied) manufacturing overhead	$ 4,840

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 1 Easy
Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.
Topic: Underapplied and Overapplied Overhead

77. Acitelli Corporation, which applies manufacturing overhead on the basis of machine-hours, has provided the following data for its most recent year of operations.

Estimated manufacturing overhead	$357,000
Estimated machine-hours	8,500
Actual manufacturing overhead	$358,000
Actual machine-hours	8,560

The estimates of the manufacturing overhead and of machine-hours were made at the beginning of the year for the purpose of computing the company's predetermined overhead rate for the year.

The predetermined overhead rate is closest to:

A. $42.30

B. $41.82

C. $42.12

D. $42.00

Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total amount of the allocation base
= $357,000 ÷ 8,500 machine-hours
= $42.00 per machine-hour

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-01 Compute a predetermined overhead rate.

Topic: Job-Order Costing

78. Acitelli Corporation, which applies manufacturing overhead on the basis of machine-hours, has provided the following data for its most recent year of operations.

Estimated manufacturing overhead	$357,000
Estimated machine-hours	8,500
Actual manufacturing overhead	$358,000
Actual machine-hours	8,560

The estimates of the manufacturing overhead and of machine-hours were made at the beginning of the year for the purpose of computing the company's predetermined overhead rate for the year.

The applied manufacturing overhead for the year is closest to:

A. $357,979

B. $360,547

C. $359,520

D. $362,088

Manufacturing overhead applied = Predetermined overhead rate × Actual amount of the allocation base

= $42.00 per machine-hour × 8,560 machine-hours

= $359,520

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.

Topic: Job-Order Costing

79. Acitelli Corporation, which applies manufacturing overhead on the basis of machine-hours, has provided the following data for its most recent year of operations.

Estimated manufacturing overhead	$357,000
Estimated machine-hours	8,500
Actual manufacturing overhead	$358,000
Actual machine-hours	8,560

The estimates of the manufacturing overhead and of machine-hours were made at the beginning of the year for the purpose of computing the company's predetermined overhead rate for the year.

The overhead for the year was:

A. $1,520 underapplied

B. $2,520 overapplied

C. $1,520 overapplied

D. $2,520 underapplied

Actual manufacturing overhead incurred	**$358,000**
Manufacturing overhead applied to Work in Process	**359,520**
Underapplied (overapplied) manufacturing overhead	**$(1,520)**

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.

Topic: Underapplied and Overapplied Overhead

80. Carter Corporation applies manufacturing overhead on the basis of machine-hours. At the beginning of the most recent year, the company based its predetermined overhead rate on total estimated overhead of $135,850. Actual manufacturing overhead for the year amounted to $145,000 and actual machine-hours were 5,660. The company's predetermined overhead rate for the year was $24.70 per machine-hour.

The predetermined overhead rate was based on how many estimated machine-hours?

A. 5,870

B. 5,500

C. 6,081

D. 5,660

Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total machine-hours
Estimated total machine-hours = Estimated total manufacturing overhead ÷ Predetermined overhead rate
= $135,850 ÷ $24.70 per machine-hour
= 5,500 machine-hours

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-01 Compute a predetermined overhead rate.

Topic: Job-Order Costing

81. Carter Corporation applies manufacturing overhead on the basis of machine-hours. At the beginning of the most recent year, the company based its predetermined overhead rate on total estimated overhead of $135,850. Actual manufacturing overhead for the year amounted to $145,000 and actual machine-hours were 5,660. The company's predetermined overhead rate for the year was $24.70 per machine-hour.

The applied manufacturing overhead for the year was closest to:

A. $135,850
B. $149,218
C. $143,869
D. $139,802

Manufacturing overhead applied = Predetermined overhead rate × Actual direct labor-hours
= $24.70 per machine-hour × 5,660 machine-hours
= $139,802

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 1 Easy
Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.
Topic: Job-Order Costing

82. Carter Corporation applies manufacturing overhead on the basis of machine-hours. At the beginning of the most recent year, the company based its predetermined overhead rate on total estimated overhead of $135,850. Actual manufacturing overhead for the year amounted to $145,000 and actual machine-hours were 5,660. The company's predetermined overhead rate for the year was $24.70 per machine-hour.

The overhead for the year was:

A. $5,198 overapplied
B. $3,952 underapplied
C. $3,952 overapplied
D. $5,198 underapplied

Actual manufacturing overhead incurred	$145,000
Manufacturing overhead applied to Work in Process	139,802
Underapplied (overapplied) manufacturing overhead	$ 5,198

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 1 Easy
Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.
Topic: Underapplied and Overapplied Overhead

83. Snappy Company has a job-order costing system and uses a predetermined overhead rate based on direct labor-hours to apply manufacturing overhead to jobs. Manufacturing overhead cost and direct labor hours were estimated at $100,000 and 40,000 hours, respectively, for the year. In July, Job #334 was completed at a cost of $5,000 in direct materials and $2,400 in direct labor. The labor rate is $6 per hour. By the end of the year, Snappy had worked a total of 45,000 direct labor-hours and had incurred $110,250 actual manufacturing overhead cost.

If Job #334 contained 200 units, the unit product cost on the completed job cost sheet would be:

A. $37.00

B. $42.00

C. $41.90

D. $39.50

Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total direct labor-hours

= $100,000 ÷ 40,000 direct labor-hours

= $2.50 per direct labor-hour

Direct materials	**$5,000**
Direct labor	**2,400**
Manufacturing overhead ($2.50 per direct labor-hour × 400 direct labor-hours*)	**1,000**
Total product cost of Job #334	**$8,400**
Unit product cost ($8,400 ÷200 units)	**$42.00**

* $2,400 ÷ $6 per direct labor-hour = 400 direct labor-hours

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-03 Compute the total cost and average cost per unit of a job.

Topic: Job-Order Costing

84. Snappy Company has a job-order costing system and uses a predetermined overhead rate based on direct labor-hours to apply manufacturing overhead to jobs. Manufacturing overhead cost and direct labor hours were estimated at $100,000 and 40,000 hours, respectively, for the year. In July, Job #334 was completed at a cost of $5,000 in direct materials and $2,400 in direct labor. The labor rate is $6 per hour. By the end of the year, Snappy had worked a total of 45,000 direct labor-hours and had incurred $110,250 actual manufacturing overhead cost.

Snappy's manufacturing overhead for the year was:

A. $10,250 underapplied
B. $12,500 overapplied
C. $12,500 underapplied
D. $2,250 overapplied

Actual manufacturing overhead incurred.....	$110,250
Manufacturing overhead applied to Work in Process ($2.50 per direct labor-hour × 45,000 direct labor-hours).....	112,500
Underapplied (overapplied) manufacturing overhead	$(2,250)

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-01 Compute a predetermined overhead rate.
Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.
Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.

Topic: Job-Order Costing

Topic: Underapplied and Overapplied Overhead

85. Lund Company applies manufacturing overhead to jobs using a predetermined overhead rate of 75% of direct labor cost. Any underapplied or overapplied manufacturing overhead cost is closed out to Cost of Goods Sold at the end of the month. During March, the following transactions were recorded by the company:

Raw materials (all direct materials):	
Purchased during the month	$27,000
Used in production	$28,000
Labor:	
Direct labor hours worked during the month	2,500
Direct labor cost incurred	$20,000
Indirect labor cost incurred	$5,500
Manufacturing overhead costs incurred (total)	$17,000
Inventories:	
Raw materials (all direct), March 31	$7,500
Work in process, March 1	$10,500
Work in process, March 31	$14,000*

*contains $5,000 in direct labor cost.

The amount of direct materials cost in the March 31 Work in Process inventory account was:

A. $5,250

B. $3,500

C. $9,000

D. $8,750

Ending work in process inventory = Direct materials + Direct labor + Manufacturing overhead applied

$14,000 = Direct materials + $5,000 + $5,000 × 75%

$14,000 = Direct materials + $5,000 + $3,750

Direct materials = $14,000 - $5,000 - $3,750 = $5,250

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.

Topic: Job-Order Costing—The Flow of Costs

86. Lund Company applies manufacturing overhead to jobs using a predetermined overhead rate of 75% of direct labor cost. Any underapplied or overapplied manufacturing overhead cost is closed out to Cost of Goods Sold at the end of the month. During March, the following transactions were recorded by the company:

Raw materials (all direct materials):	
Purchased during the month	$27,000
Used in production	$28,000
Labor:	
Direct labor hours worked during the month	2,500
Direct labor cost incurred	$20,000
Indirect labor cost incurred	$5,500
Manufacturing overhead costs incurred (total)	$17,000
Inventories:	
Raw materials (all direct), March 31	$7,500
Work in process, March 1	$10,500
Work in process, March 31	$14,000*

*contains $5,000 in direct labor cost.

The Cost of Goods Manufactured for March was:

A. $66,500

B. $61,500

C. $59,500

D. $63,000

Direct materials used in production	$28,000
Direct labor	20,000
Manufacturing overhead applied*	15,000
Total manufacturing costs	63,000
Add: Beginning work in process	10,500
	73,500
Deduct: Ending work in process	14,000
Cost of goods manufactured	$59,500

*$20,000 direct labor cost × 75% of direct labor cost = $15,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-06 Prepare schedules of cost of goods manufactured and cost of goods sold and an income statement.

Topic: Schedules of Cost of Goods Manufactured and Cost of Goods Sold

87. Lund Company applies manufacturing overhead to jobs using a predetermined overhead rate of 75% of direct labor cost. Any underapplied or overapplied manufacturing overhead cost is closed out to Cost of Goods Sold at the end of the month. During March, the following transactions were recorded by the company:

Raw materials (all direct materials):	
Purchased during the month	$27,000
Used in production	$28,000
Labor:	
Direct labor hours worked during the month	2,500
Direct labor cost incurred	$20,000
Indirect labor cost incurred	$5,500
Manufacturing overhead costs incurred (total)	$17,000
Inventories:	
Raw materials (all direct), March 31	$7,500
Work in process, March 1	$10,500
Work in process, March 31	$14,000*

*contains $5,000 in direct labor cost.

The entry to dispose of the underapplied or overapplied manufacturing overhead cost for the month would include:

A. a credit of $2,000 to Cost of Goods Sold.

B. a debit of $5,000 to the Cost of Goods Sold.

C. a debit of $5,000 to the Manufacturing Overhead account.

D. a credit of $2,000 to the Manufacturing Overhead account.

Actual manufacturing overhead incurred	$17,000
Manufacturing overhead applied to Work in Process ($20,000 direct labor cost × 75%)	15,000
Underapplied manufacturing overhead	$ 2,000

Underapplied manufacturing overhead increases the balance in cost of goods sold, resulting in a debit entry.

Cost of Goods Sold	$2,000	
Manufacturing Overhead		$2,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.
Topic: Underapplied and Overapplied Overhead

88. Lund Company applies manufacturing overhead to jobs using a predetermined overhead rate of 75% of direct labor cost. Any underapplied or overapplied manufacturing overhead cost is closed out to Cost of Goods Sold at the end of the month. During March, the following transactions were recorded by the company:

Raw materials (all direct materials):	
Purchased during the month	$27,000
Used in production	$28,000
Labor:	
Direct labor hours worked during the month	2,500
Direct labor cost incurred	$20,000
Indirect labor cost incurred	$5,500
Manufacturing overhead costs incurred (total)	$17,000
Inventories:	
Raw materials (all direct), March 31	$7,500
Work in process, March 1	$10,500
Work in process, March 31	$14,000*

*contains $5,000 in direct labor cost.

The balance on March 1 in the Raw Materials inventory account was:

A. $8,500

B. $6,500

C. $7,500

D. $9,500

Beginning raw materials inventory + Purchases of raw materials - Ending raw materials inventory = Raw materials used in production

Beginning raw materials inventory + $27,000 - $7,500 = $28,000

Beginning raw materials inventory = $28,000 - $27,000 + $7,500 = $8,500

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.

Topic: Job-Order Costing—The Flow of Costs

89. On April 1, Bogdon Corporation had $30,000 of raw materials on hand. During the month, the company purchased an additional $63,000 of raw materials. During April, $76,000 of raw materials were requisitioned from the storeroom for use in production. These raw materials included both direct and indirect materials. The indirect materials totaled $2,000.

The journal entry to record the purchase of raw materials would include a:

A. debit to Raw Materials of $63,000

B. credit to Raw Materials of $63,000

C. credit to Raw Materials of $93,000

D. debit to Raw Materials of $93,000

Raw Materials	$63,000	
Accounts Payable		$63,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to

record costs.

Topic: Job-Order Costing—The Flow of Costs

90. On April 1, Bogdon Corporation had $30,000 of raw materials on hand. During the month, the company purchased an additional $63,000 of raw materials. During April, $76,000 of raw materials were requisitioned from the storeroom for use in production. These raw materials included both direct and indirect materials. The indirect materials totaled $2,000.

The journal entry to record the requisition from the storeroom would include a:

A. debit to Raw Materials of $76,000

B. debit to Work in Process of $76,000

C. credit to Manufacturing Overhead of $2,000

D. debit to Work in Process of $74,000

Work in Process	$74,000	
Manufacturing Overhead	$2,000	
Raw Materials		$76,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.

Topic: Job-Order Costing—The Flow of Costs

91. On April 1, Stelter Corporation had $34,000 of raw materials on hand. During the month, the company purchased an additional $60,000 of raw materials. During April, $70,000 of raw materials were requisitioned from the storeroom for use in production. These raw materials included both direct and indirect materials. The indirect materials totaled $7,000. Prepare journal entries to record these events. Use those journal entries to answer the following questions:

The debits to the Raw Materials account for the month of April total:

A. $94,000
B. $70,000
C. $60,000
D. $34,000

Raw Materials	$60,000	
Accounts Payable		$60,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 1 Easy
Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.
Topic: Job-Order Costing—The Flow of Costs

92. On April 1, Stelter Corporation had $34,000 of raw materials on hand. During the month, the company purchased an additional $60,000 of raw materials. During April, $70,000 of raw materials were requisitioned from the storeroom for use in production. These raw materials included both direct and indirect materials. The indirect materials totaled $7,000. Prepare journal entries to record these events. Use those journal entries to answer the following questions:

The credits to the Raw Materials account for the month of April total:

A. $94,000

B. $34,000

C. $70,000

D. $60,000

Work in Process	$63,000	
Manufacturing Overhead	$7,000	
Raw Materials		$70,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.

Topic: Job-Order Costing—The Flow of Costs

93. On April 1, Stelter Corporation had $34,000 of raw materials on hand. During the month, the company purchased an additional $60,000 of raw materials. During April, $70,000 of raw materials were requisitioned from the storeroom for use in production. These raw materials included both direct and indirect materials. The indirect materials totaled $7,000. Prepare journal entries to record these events. Use those journal entries to answer the following questions:

The debits to the Work in Process account as a consequence of the raw materials transactions in April total:

A. $60,000

B. $0

C. $70,000

D. $63,000

Work in Process	$63,000	
Manufacturing Overhead	$7,000	
Raw Materials		$70,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.

Topic: Job-Order Costing—The Flow of Costs

94. On April 1, Stelter Corporation had $34,000 of raw materials on hand. During the month, the company purchased an additional $60,000 of raw materials. During April, $70,000 of raw materials were requisitioned from the storeroom for use in production. These raw materials included both direct and indirect materials. The indirect materials totaled $7,000. Prepare journal entries to record these events. Use those journal entries to answer the following questions:

The credits to the Work in Process account as a consequence of the raw materials transactions in April total:

A. $70,000
B. $63,000
C. $0
D. $60,000

There were no credits to the Work in Process account in April, only debits.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 1 Easy
Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.
Topic: Job-Order Costing—The Flow of Costs

95. On April 1, Stelter Corporation had $34,000 of raw materials on hand. During the month, the company purchased an additional $60,000 of raw materials. During April, $70,000 of raw materials were requisitioned from the storeroom for use in production. These raw materials included both direct and indirect materials. The indirect materials totaled $7,000. Prepare journal entries to record these events. Use those journal entries to answer the following questions:

The debits to the Manufacturing Overhead account as a consequence of the raw materials transactions in April total:

A. $7,000
B. $63,000
C. $0
D. $70,000

Work in Process	$63,000	
Manufacturing Overhead	$7,000	
Raw Materials		$70,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 1 Easy
Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.
Topic: Job-Order Costing—The Flow of Costs

96. On April 1, Stelter Corporation had $34,000 of raw materials on hand. During the month, the company purchased an additional $60,000 of raw materials. During April, $70,000 of raw materials were requisitioned from the storeroom for use in production. These raw materials included both direct and indirect materials. The indirect materials totaled $7,000. Prepare journal entries to record these events. Use those journal entries to answer the following questions:

The credits to the Manufacturing Overhead account as a consequence of the raw materials transactions in April total:

A. $0
B. $70,000
C. $63,000
D. $7,000

There were no credits to the Manufacturing overhead account in April, only debits.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 1 Easy
Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.
Topic: Job-Order Costing—The Flow of Costs

97. During September, Stutzman Corporation incurred $86,000 of actual Manufacturing Overhead costs. During the same period, the Manufacturing Overhead applied to Work in Process was $81,000.

The journal entry to record the incurrence of the actual Manufacturing Overhead costs would include a:

A. credit to Manufacturing Overhead of $86,000

B. debit to Manufacturing Overhead of $86,000

C. credit to Work in Process of $81,000

D. debit to Work in Process of $81,000

Manufacturing Overhead	$86,000	
Accounts Payable, Cash, or other Asset Accounts		$86,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 1 Easy
Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.
Topic: Job-Order Costing—The Flow of Costs

98. During September, Stutzman Corporation incurred $86,000 of actual Manufacturing Overhead costs. During the same period, the Manufacturing Overhead applied to Work in Process was $81,000.

The journal entry to record the application of Manufacturing Overhead to Work in Process would include a:

A. credit to Manufacturing Overhead of $81,000
B. credit to Work in Process of $86,000
C. debit to Manufacturing Overhead of $81,000
D. debit to Work in Process of $86,000

Work in Process	$81,000	
Manufacturing Overhead		$81,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 1 Easy
Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.
Topic: Job-Order Costing—The Flow of Costs

99. Daane Company had only one job in process on May 1. The job had been charged with $1,000 of direct materials, $3,302 of direct labor, and $5,382 of manufacturing overhead cost. The company assigns overhead cost to jobs using the predetermined overhead rate of $20.70 per direct labor-hour.

During May, the following activity was recorded:

Raw materials (all direct materials):	
Beginning balance	$8,500
Purchased during the month	$20,000
Used in production	$28,400
Labor:	
Direct labor-hours worked during the month	1,500
Direct labor cost incurred	$19,050
Actual manufacturing overhead costs incurred	$29,700
Inventories:	
Raw materials, May 30	?
Work in process, May 30	$13,362

Work in process inventory on May 30 contains $2,921 of direct labor cost. Raw materials consist solely of items that are classified as direct materials.

The amount of direct materials cost in the May 30 work in process inventory account was:

A. $5,680

B. $19,900

C. $8,400

D. $11,500

Work in process, May 30	$13,362
Less: Direct labor.....	2,921
Less: Manufacturing overhead*	4,761
Direct materials.....	$ 5,680

*Direct labor wage rate = $19,050 ÷ 1,500 direct labor-hours = $12.70 per direct labor-hour

Direct labor-hours attributable to ending inventory = $2,921 ÷ $12.70 per direct labor-hour = 230 direct labor-hours

Manufacturing overhead applied = Predetermined overhead rate × Actual amount of the allocation base

= $20.70 per direct labor-hour × 230 direct labor-hours = $4,761

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-06 Prepare schedules of cost of goods manufactured and cost of goods sold and an income statement.

Topic: Schedules of Cost of Goods Manufactured and Cost of Goods Sold

100. Daane Company had only one job in process on May 1. The job had been charged with $1,000 of direct materials, $3,302 of direct labor, and $5,382 of manufacturing overhead cost. The company assigns overhead cost to jobs using the predetermined overhead rate of $20.70 per direct labor-hour.

During May, the following activity was recorded:

Raw materials (all direct materials):	
Beginning balance	$8,500
Purchased during the month	$20,000
Used in production	$28,400
Labor:	
Direct labor-hours worked during the month	1,500
Direct labor cost incurred	$19,050
Actual manufacturing overhead costs incurred	$29,700
Inventories:	
Raw materials, May 30	?
Work in process, May 30	$13,362

Work in process inventory on May 30 contains $2,921 of direct labor cost. Raw materials consist solely of items that are classified as direct materials.

The cost of goods manufactured for May was:

A. $78,500

B. $78,100

C. $77,150

D. $74,822

Direct materials used in production.....	$28,400
Direct labor.....	19,050
Manufacturing overhead ($20.70 per direct labor-hour × 1,500 direct labor-hours)...	31,050
Total manufacturing costs.....	78,500
Add: Beginning work in process	9,684
	88,184
Deduct: Ending work in process.....	13,362
Cost of goods manufactured	$74,822

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-06 Prepare schedules of cost of goods manufactured and cost of goods sold and an income statement.

Topic: Schedules of Cost of Goods Manufactured and Cost of Goods Sold

101. Daane Company had only one job in process on May 1. The job had been charged with $1,000 of direct materials, $3,302 of direct labor, and $5,382 of manufacturing overhead cost. The company assigns overhead cost to jobs using the predetermined overhead rate of $20.70 per direct labor-hour.

During May, the following activity was recorded:

Raw materials (all direct materials):	
Beginning balance	$8,500
Purchased during the month	$20,000
Used in production	$28,400
Labor:	
Direct labor-hours worked during the month	1,500
Direct labor cost incurred	$19,050
Actual manufacturing overhead costs incurred	$29,700
Inventories:	
Raw materials, May 30	?
Work in process, May 30	$13,362

Work in process inventory on May 30 contains $2,921 of direct labor cost. Raw materials consist solely of items that are classified as direct materials.

The entry to dispose of the underapplied or overapplied manufacturing overhead cost for the month would include a:

A. debit of $1,350 to Manufacturing Overhead.

B. credit of $4,761 to Manufacturing Overhead.

C. credit of $1,350 to Manufacturing Overhead.

D. debit of $4,761 to Manufacturing Overhead.

Actual manufacturing overhead incurred.....	$29,700
Manufacturing overhead applied to Work in Process ($20.70 per direct labor-hour × 1,500 direct labor-hours).....	31,050
Underapplied (overapplied) manufacturing overhead	$(1,350)

Manufacturing Overhead	$1,350	
Cost of Goods Sold		$1,350

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.

Topic: Underapplied and Overapplied Overhead

102. The following partially completed T-accounts summarize the transactions of Belson Company for last year:

Raw Materials			
Beg. Bal.	5,000	(2)	20,000
(1)	17,000		

Work in Process			
Beg. Bal.	9,000	(7)	60,000
(2)	13,000		
(4)	16,000		
(6)	29,000		

Manufacturing Overhead			
(2)	7,000	(6)	29,000
(3)	14,000		
(4)	6,000		
(5)	3,000		

Cost of Goods Sold			

Accounts Payable			
		(1)	17,000
		(5)	3,000

Finished Goods			
Beg. Bal.	16,000		
(7)	60,000		
End. Bal.	13,000		

Wages and Salaries Payable			
		Beg. Bal.	5,000
		(4)	31,000

Sales Salaries Expense			
(4)	9,000		

Accumulated Depreciation (Factory)			
		Beg. Bal.	80,000
		(3)	14,000

At the end of the year, the company closes out the balance in the Manufacturing

Overhead account to Cost of Goods Sold.

The indirect labor cost is:

A. $6,000

B. $13,000

C. $16,000

D. $31,000

(4)	Work in Process	$16,000	
	Manufacturing Overhead	$6,000	
	Sales Salaries Expense	$9,000	
	Wages and Salaries Payable		$31,000

The debit to the Manufacturing Overhead account in this entry represents indirect labor costs.

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-05 Use T-accounts to show the flow of costs in a job-order costing system.

Topic: Job-Order Costing—The Flow of Costs

103. The following partially completed T-accounts summarize the transactions of Belson Company for last year:

Raw Materials			
Beg. Bal.	5,000	(2)	20,000
(1)	17,000		

Work in Process			
Beg. Bal.	9,000	(7)	60,000
(2)	13,000		
(4)	16,000		
(6)	29,000		

Manufacturing Overhead			
(2)	7,000	(6)	29,000
(3)	14,000		
(4)	6,000		
(5)	3,000		

Cost of Goods Sold			

Accounts Payable			
		(1)	17,000
		(5)	3,000

Finished Goods			
Beg. Bal.	16,000		
(7)	60,000		
End. Bal.	13,000		

Wages and Salaries Payable			
		Beg. Bal.	5,000
		(4)	31,000

Sales Salaries Expense			
(4)	9,000		

Accumulated Depreciation (Factory)			
		Beg. Bal.	80,000
		(3)	14,000

At the end of the year, the company closes out the balance in the Manufacturing

Overhead account to Cost of Goods Sold.

The cost of goods sold (after adjustment for underapplied or overapplied manufacturing overhead) is:

A. $61,000

B. $62,000

C. $63,000

D. $64,000

Manufacturing Overhead			
(2)	7,000	(6)	29,000
(3)	14,000		
(4)	6,000		
(5)	3,000	(9)	1,000
End. Bal.	0		

Cost of Goods Sold	
(8)	63,000
(9)	1,000
End. Bal.	64,000

Accounts Payable			
		(1)	17,000
		(5)	3,000

Finished Goods			
Beg. Bal.	16,000		
(7)	60,000		
		(8)	63,000
End. Bal.	13,000		

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-05 Use T-accounts to show the flow of costs in a job-order costing system.

Learning Objective: 02-06 Prepare schedules of cost of goods manufactured and cost of goods sold and an income statement.

Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.

Topic: Job-Order Costing—The Flow of Costs

Topic: Schedules of Cost of Goods Manufactured and Cost of Goods Sold

Topic: Underapplied and Overapplied Overhead

104. The following partially completed T-accounts summarize the transactions of Belson Company for last year:

Raw Materials			
Beg. Bal.	5,000	(2)	20,000
(1)	17,000		

Work in Process			
Beg. Bal.	9,000	(7)	60,000
(2)	13,000		
(4)	16,000		
(6)	29,000		

Manufacturing Overhead			
(2)	7,000	(6)	29,000
(3)	14,000		
(4)	6,000		
(5)	3,000		

Cost of Goods Sold			

Accounts Payable			
		(1)	17,000
		(5)	3,000

Finished Goods			
Beg. Bal.	16,000		
(7)	60,000		
End. Bal.	13,000		

Wages and Salaries Payable			
		Beg. Bal.	5,000
		(4)	31,000

Sales Salaries Expense			
(4)	9,000		

Accumulated Depreciation (Factory)			
		Beg. Bal.	80,000
		(3)	14,000

At the end of the year, the company closes out the balance in the Manufacturing

Overhead account to Cost of Goods Sold.

The manufacturing overhead applied is:

A. $28,000

B. $29,000

C. $30,000

D. $38,000

Work in Process			
Beg. Bal.	9,000	(7)	60,000
(2)	13,000		
(4)	16,000		
(6)	29,000		

Manufacturing Overhead			
(2)	7,000	(6)	29,000
(3)	14,000		
(4)	6,000		
(5)	3,000	(9)	1,000
End. Bal.	0		

Transaction (6) represents manufacturing overhead applied at $29,000.

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-05 Use T-accounts to show the flow of costs in a job-order costing system.

Learning Objective: 02-06 Prepare schedules of cost of goods manufactured and cost of goods sold and an income statement.

Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.

Topic: Job-Order Costing—The Flow of Costs

Topic: Schedules of Cost of Goods Manufactured and Cost of Goods Sold

Topic: Underapplied and Overapplied Overhead

105. The following partially completed T-accounts summarize the transactions of Belson Company for last year:

Raw Materials			
Beg. Bal.	5,000	(2)	20,000
(1)	17,000		

Work in Process			
Beg. Bal.	9,000	(7)	60,000
(2)	13,000		
(4)	16,000		
(6)	29,000		

Manufacturing Overhead			
(2)	7,000	(6)	29,000
(3)	14,000		
(4)	6,000		
(5)	3,000		

Cost of Goods Sold			

Accounts Payable			
		(1)	17,000
		(5)	3,000

Finished Goods			
Beg. Bal.	16,000		
(7)	60,000		
End. Bal.	13,000		

Wages and Salaries Payable			
		Beg. Bal.	5,000
		(4)	31,000

Sales Salaries Expense			
(4)	9,000		

Accumulated Depreciation (Factory)			
		Beg. Bal.	80,000
		(3)	14,000

At the end of the year, the company closes out the balance in the Manufacturing

Overhead account to Cost of Goods Sold.

The cost of direct materials used in production is:

A. $12,000

B. $13,000

C. $16,000

D. $20,000

Raw Materials			
Beg. Bal.	5,000	(2)	20,000
(1)	17,000		

Work in Process			
Beg. Bal.	9,000	(7)	60,000
(2)	13,000		
(4)	16,000		
(6)	29,000		

The debit portion of transaction (2) represents the cost of direct materials used in production at $13,000.

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-05 Use T-accounts to show the flow of costs in a job-order costing system.

Topic: Job-Order Costing—The Flow of Costs

106. Entin Corporation reported the following data for the month of January:

Inventories:	Beginning	Ending
Raw materials	$32,000	$38,000
Work in process	$11,000	$17,000
Finished goods	$45,000	$47,000
Additional information:		
Raw materials purchases	$65,000	
Direct labor cost	$88,000	
Manufacturing overhead cost incurred	$64,000	
Indirect materials included in manufacturing overhead cost incurred	$3,000	
Manufacturing overhead cost applied to Work in Process	$61,000	

The direct materials cost for January is:

A. $59,000

B. $56,000

C. $71,000

D. $65,000

Raw materials inventory, beginning	$32,000
Add: Purchases of raw materials	65,000
Total raw materials available	97,000
Deduct: Raw materials inventory, ending	38,000
Raw materials used in production	59,000
Deduct: Indirect materials included in manufacturing overhead	3,000
Direct materials	$56,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-06 Prepare schedules of cost of goods manufactured and cost of goods sold and an income statement.

Topic: Schedules of Cost of Goods Manufactured and Cost of Goods Sold

107. Entin Corporation reported the following data for the month of January:

Inventories:	Beginning	Ending
Raw materials	$32,000	$38,000
Work in process	$11,000	$17,000
Finished goods	$45,000	$47,000

Additional information:	
Raw materials purchases	$65,000
Direct labor cost	$88,000
Manufacturing overhead cost incurred	$64,000
Indirect materials included in manufacturing overhead cost incurred	$3,000
Manufacturing overhead cost applied to Work in Process	$61,000

The cost of goods manufactured for January is:

A. $202,000

B. $214,000

C. $217,000

D. $199,000

Direct materials:		
Raw materials inventory, beginning	$32,000	
Add: Purchases of raw materials	65,000	
Total raw materials available	97,000	
Deduct: Raw materials inventory, ending	38,000	
Raw materials used in production	59,000	
Deduct: Indirect materials included in manufacturing overhead	3,000	$ 56,000
Direct labor		88,000
Manufacturing overhead cost applied to work in process		61,000
Total manufacturing costs		205,000
Add: Beginning work in process		11,000
		216,000
Deduct: Ending work in process		17,000
Cost of goods manufactured		$199,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-06 Prepare schedules of cost of goods manufactured and cost of goods sold and an income statement.

Topic: Schedules of Cost of Goods Manufactured and Cost of Goods Sold

108. Entin Corporation reported the following data for the month of January:

Inventories:	Beginning	Ending
Raw materials	$32,000	$38,000
Work in process	$11,000	$17,000
Finished goods	$45,000	$47,000
Additional information:		
Raw materials purchases	$65,000	
Direct labor cost	$88,000	
Manufacturing overhead cost incurred	$64,000	
Indirect materials included in manufacturing overhead cost incurred	$3,000	
Manufacturing overhead cost applied to Work in Process	$61,000	

The adjusted cost of goods sold that appears on the income statement for January is:

A. $197,000

B. $200,000

C. $201,000

D. $199,000

Finished goods inventory, beginning	$ 45,000
Add: Cost of goods manufactured	199,000
Cost of goods available for sale	244,000
Deduct: Finished goods inventory, ending	47,000
Unadjusted cost of goods sold	197,000
Add: Underapplied overhead	3,000
Adjusted cost of goods sold	$200,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-06 Prepare schedules of cost of goods manufactured and cost of goods sold and an income statement.

Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.

Topic: Schedules of Cost of Goods Manufactured and Cost of Goods Sold

Topic: Underapplied and Overapplied Overhead

109. Vanwagenen Inc. has provided the following data for the month of April:

Inventories:	Beginning	Ending
Work in process	$12,000	$16,000
Finished goods	$27,000	$25,000
Additional information:		
Direct materials	$51,000	
Direct labor cost	$91,000	
Manufacturing overhead cost incurred	$60,000	
Manufacturing overhead cost applied to Work in Process	$59,000	

The cost of goods manufactured for April is:

A. $198,000

B. $201,000

C. $197,000

D. $202,000

Direct materials	$ 51,000
Direct labor	91,000
Manufacturing overhead	59,000
Total manufacturing costs	201,000
Add: Beginning work in process	12,000
	213,000
Deduct: Ending work in process	16,000
Cost of goods manufactured	$197,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-06 Prepare schedules of cost of goods manufactured and cost of goods sold and an income statement.

110. Vanwagenen Inc. has provided the following data for the month of April:

Inventories:	Beginning	Ending
Work in process	$12,000	$16,000
Finished goods	$27,000	$25,000
Additional information:		
Direct materials	$51,000	
Direct labor cost	$91,000	
Manufacturing overhead cost incurred	$60,000	
Manufacturing overhead cost applied to Work in Process	$59,000	

The adjusted cost of goods sold that appears on the income statement for April is:

A. $197,000

B. $195,000

C. $200,000

D. $199,000

Finished goods inventory, beginning	$ 27,000
Add: Cost of goods manufactured	197,000
Cost of goods available for sale	224,000
Deduct: Finished goods inventory, ending	25,000
Unadjusted cost of goods sold	199,000
Add: Underapplied overhead	1,000
Adjusted cost of goods sold	$200,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-06 Prepare schedules of cost of goods manufactured and cost of goods sold and an income statement.

Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.

Topic: Schedules of Cost of Goods Manufactured and Cost of Goods Sold

Topic: Underapplied and Overapplied Overhead

111. Leija Manufacturing Company uses a job-order costing system and started the month of March with one job in process (Job #359). This job had $500 of cost assigned to it at this time. During March, Leija assigned production costs as follows to the jobs worked on during the month:

	Job #359	Job #360	Job #361
Total cost assigned to jobs during March	$6,000	$8,100	$2,400

During March, Leija completed and sold Job #359. Job #360 was also completed but was not sold by month end. Job #361 was not completed by the end of March.

What is Leija's cost of goods manufactured for March?

A. $6,500

B. $14,100

C. $14,600

D. $16,500

Cost of goods manufactured = Direct materials + Direct labor + Manufacturing overhead applied + Beginning work in process inventory - Ending work in process inventory

In this case, the sum of direct materials, direct labor, and manufacturing overhead applied equals the sum of the costs assigned to the jobs during the month, which is $16,500 (= $6,000 + $8,100 + $2,400).

The ending work in process inventory consists of the cost of Job #361, which was started but not completed during the month. The other two jobs were completed during the month and therefore are not part of the ending work in process

inventory.

Cost of goods manufactured = $16,500 + $500 - $2,400 = $14,600

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-06 Prepare schedules of cost of goods manufactured and cost of goods sold and an income statement.

Topic: Schedules of Cost of Goods Manufactured and Cost of Goods Sold

112. Leija Manufacturing Company uses a job-order costing system and started the month of March with one job in process (Job #359). This job had $500 of cost assigned to it at this time. During March, Leija assigned production costs as follows to the jobs worked on during the month:

	Job #359	Job #360	Job #361
Total cost assigned to jobs during March	$6,000	$8,100	$2,400

During March, Leija completed and sold Job #359. Job #360 was also completed but was not sold by month end. Job #361 was not completed by the end of March.

What is Leija's work in process inventory balance at the end of March?

A. $1,900

B. $2,400

C. $2,900

D. $10,000

The ending work in process inventory consists of the $2,400 cost of Job #361, which was started but not completed during the month. The other two jobs were completed during the month and therefore are not part of the ending work in process inventory.

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-06 Prepare schedules of cost of goods manufactured and cost of goods sold and an income statement.

Topic: Schedules of Cost of Goods Manufactured and Cost of Goods Sold

113. Echenko Corporation uses a job-order costing system and applies overhead to jobs using a predetermined overhead rate. During the year the company's Finished Goods inventory account was debited for $380,000 and credited for $335,500. The ending balance in the Finished Goods inventory account was $62,300. At the end of the year, manufacturing overhead was overapplied by $2,900.

The balance in the Finished Goods inventory account at the beginning of the year was:

A. $2,900
B. $62,300
C. $44,500
D. $17,800

Ending finished goods inventory = Beginning finished goods inventory + Debits - Credits
$62,300 = Beginning finished goods inventory + $380,000 - $335,500
Beginning finished goods inventory = $62,300 - $380,000 + $335,500 = $17,800

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-05 Use T-accounts to show the flow of costs in a job-order costing system.
Topic: Job-Order Costing—The Flow of Costs

114. Echenko Corporation uses a job-order costing system and applies overhead to jobs using a predetermined overhead rate. During the year the company's Finished Goods inventory account was debited for $380,000 and credited for $335,500. The ending balance in the Finished Goods inventory account was $62,300. At the end of the year, manufacturing overhead was overapplied by $2,900.

If the applied manufacturing overhead was $70,400, the actual manufacturing overhead cost for the year was:

A. $73,300

B. $67,500

C. $129,800

D. $85,300

Overapplied manufacturing overhead = Manufacturing overhead applied - Actual manufacturing overhead
Actual manufacturing overhead = Manufacturing overhead applied - Overapplied manufacturing overhead
= $70,400 - $2,900
= $67,500

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 2 Medium
Learning Objective: 02-05 Use T-accounts to show the flow of costs in a job-order costing system.
Topic: Job-Order Costing—The Flow of Costs

115. The following partially completed T-accounts summarize transactions for Fabatz Company during the year:

Raw Materials			
Beg Bal	1,900		7,300
	9,300		

Work in Process			
Beg Bal	3,300		22,600
	6,300		
	8,700		
	5,800		

Finished Goods			
Beg Bal	6,900		23,800
	22,600		

Manufacturing Overhead			
	1,000		5,800
	3,000		
	2,200		

Wages & Salaries Payable			
	14,200	Beg Bal	1,500
			11,700

Cost of Goods Sold			
	23,800		

The Cost of Goods Manufactured was:

A. $23,800

B. $5,400

C. $22,600

D. $46,400

Work in Process			
Beg Bal	3,300	COGM	22,600
Direct materials	6,300		
Direct labor	8,700		
Manufacturing overhead applied	5,800		

Finished Goods			
Beg Bal	6,900		23,800
COGM	22,600		

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-05 Use T-accounts to show the flow of costs in a job-order costing system.

Topic: Job-Order Costing—The Flow of Costs

116. The following partially completed T-accounts summarize transactions for Fabatz Company during the year:

Raw Materials			
Beg Bal	1,900		7,300
	9,300		

Work in Process			
Beg Bal	3,300		22,600
	6,300		
	8,700		
	5,800		

Finished Goods			
Beg Bal	6,900		23,800
	22,600		

Manufacturing Overhead			
	1,000		5,800
	3,000		
	2,200		

Wages & Salaries Payable			
	14,200	Beg Bal	1,500
			11,700

Cost of Goods Sold			
	23,800		

The direct labor cost was:

A. $8,700

B. $12,000

C. $11,700

D. $14,200

The key is to recognize that the 6,300 debit entry in the Work in Process account represents direct materials. The journal entry would have been:

Work in Process	6,300	
Manufacturing Overhead	1,000	
Raw Materials		7,300

The other debit entry in the Work in Process account in the amount of $5,800 is manufacturing overhead applied because there is a corresponding credit entry for the same amount in the account Manufacturing Overhead.

Work in Process			
Beg Bal	3,300	COGM	22,600
Direct materials	6,300		
Direct labor	8,700		
Manufacturing overhead applied	5,800		

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-05 Use T-accounts to show the flow of costs in a job-order costing system.

Topic: Job-Order Costing—The Flow of Costs

117. The following partially completed T-accounts summarize transactions for Fabatz Company during the year:

Raw Materials			
Beg Bal	1,900		7,300
	9,300		

Work in Process			
Beg Bal	3,300		22,600
	6,300		
	8,700		
	5,800		

Finished Goods			
Beg Bal	6,900		23,800
	22,600		

Manufacturing Overhead			
	1,000		5,800
	3,000		
	2,200		

Wages & Salaries Payable			
	14,200	Beg Bal	1,500
			11,700

Cost of Goods Sold			
	23,800		

The direct materials cost was:

A. $3,300

B. $8,700

C. $6,300

D. $7,300

The key is to recognize that the 6,300 debit entry in the Work in Process account represents direct materials. The journal entry would have been:

Work in Process	6,300	
Manufacturing Overhead	1,000	
Raw Materials		7,300

The direct materials is the $6,300 debit to Work in Process.

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 02-05 Use T-accounts to show the flow of costs in a job-order costing system.

Topic: Job-Order Costing—The Flow of Costs

118. The following partially completed T-accounts summarize transactions for Fabatz Company during the year:

Raw Materials			
Beg Bal	1,900		7,300
	9,300		

Work in Process			
Beg Bal	3,300		22,600
	6,300		
	8,700		
	5,800		

Finished Goods			
Beg Bal	6,900		23,800
	22,600		

Manufacturing Overhead			
	1,000		5,800
	3,000		
	2,200		

Wages & Salaries Payable			
	14,200	Beg Bal	1,500
			11,700

Cost of Goods Sold			
	23,800		

The manufacturing overhead applied was:

A. $2,200

B. $3,000

C. $5,800

D. $13,900

The manufacturing overhead applied is the credit entry of $5,800 in the Manufacturing Overhead account.

Manufacturing Overhead		
1,000	Manufacturing overhead applied	5,800
3,000		
2,200		

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-05 Use T-accounts to show the flow of costs in a job-order costing system.

Topic: Job-Order Costing—The Flow of Costs

119. The following partially completed T-accounts summarize transactions for Fabatz Company during the year:

Raw Materials			
Beg Bal	1,900		7,300
	9,300		

Work in Process			
Beg Bal	3,300		22,600
	6,300		
	8,700		
	5,800		

Finished Goods			
Beg Bal	6,900		23,800
	22,600		

Manufacturing Overhead			
	1,000		5,800
	3,000		
	2,200		

Wages & Salaries Payable			
	14,200	Beg Bal	1,500
			11,700

Cost of Goods Sold			
	23,800		

The manufacturing overhead was:

A. $2,200 underapplied

B. $2,200 overapplied

C. $400 overapplied

D. $400 underapplied

Manufacturing Overhead	
1,000	5,800
3,000	
2,200	
Underapplied manufacturing overhead 400	

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-05 Use T-accounts to show the flow of costs in a job-order costing system.

Topic: Job-Order Costing—The Flow of Costs

Essay Questions

120. Alam Company is a manufacturing firm that uses job-order costing. At the beginning of the year, the company's inventory balances were as follows:

Raw materials.....	$24,000
Work in process	$73,000
Finished goods	$27,000

The company applies overhead to jobs using a predetermined overhead rate based on machine-hours. At the beginning of the year, the company estimated that it would work 45,000 machine-hours and incur $180,000 in manufacturing overhead cost. The following transactions were recorded for the year:

a. Raw materials were purchased, $416,000.
b. Raw materials were requisitioned for use in production, $420,000 ($380,000 direct and $40,000 indirect).
c. The following employee costs were incurred: direct labor, $414,000; indirect labor, $60,000; and administrative salaries, $212,000.
d. Selling costs, $141,000.
e. Factory utility costs, $20,000.
f. Depreciation for the year was $81,000 of which $73,000 is related to factory operations and $8,000 is related to selling, general, and administrative activities.
g. Manufacturing overhead was applied to jobs. The actual level of activity for the year was 48,000 machine-hours.
h. The cost of goods manufactured for the year was $1,004,000.
i. Sales for the year totaled $1,416,000 and the costs on the job cost sheets of the goods that were sold totaled $989,000.
j. The balance in the Manufacturing Overhead account was closed out to Cost of Goods Sold.

Required:

Prepare the appropriate journal entry for each of the items above (a. through j.). You can assume that all transactions with employees, customers, and suppliers were conducted in cash.

a.	Raw Materials Inventory	416,000	
	Cash		416,000
b.	Work in Process Inventory	380,000	
	Manufacturing Overhead	40,000	
	Raw Materials Inventory		420,000
c.	Work in Process Inventory	414,000	
	Manufacturing Overhead	60,000	
	Administrative Salary Expense	212,000	
	Cash		686,000
d.	Selling Expenses	141,000	
	Cash		141,000
e.	Manufacturing Overhead	20,000	
	Cash		20,000
f.	Manufacturing Overhead	73,000	
	Depreciation Expense	8,000	
	Accumulated Depreciation		81,000
g.	Work in Process	192,000	
	Manufacturing Overhead		192,000
h.	Finished Goods	1,004,000	
	Work in Process		1,004,000
i.	Cash	1,416,000	
	Sales		1,416,000
	Cost of Goods Sold	989,000	
	Finished Goods		989,000
j.	Cost of Goods Sold	1,000	
	Manufacturing Overhead		1,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-01 Compute a predetermined overhead rate.

Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.

Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.

Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.

Topic: Job-Order Costing

Topic: Job-Order Costing—The Flow of Costs

Topic: Underapplied and Overapplied Overhead

121. Babb Company is a manufacturing firm that uses job-order costing. The company's inventory balances were as follows at the beginning and end of the year:

	Beginning Balance	Ending Balance
Raw materials.....	$11,000	$15,000
Work in process	$32,000	$14,000
Finished goods	$108,000	$123,000

The company applies overhead to jobs using a predetermined overhead rate based on machine-hours. At the beginning of the year, the company estimated that it would work 17,000 machine-hours and incur $272,000 in manufacturing overhead cost. The following transactions were recorded for the year:

• Raw materials were purchased, $416,000.
• Raw materials were requisitioned for use in production, $412,000 $(376,000 direct and $36,000 indirect).
• The following employee costs were incurred: direct labor, $330,000; indirect labor, $69,000; and administrative salaries, $157,000.
• Selling costs, $113,000.
• Factory utility costs, $29,000.
• Depreciation for the year was $121,000 of which $114,000 is related to factory operations and $7,000 is related to selling, general, and administrative activities.
• Manufacturing overhead was applied to jobs. The actual level of activity for the year was 15,000 machine-hours.
• Sales for the year totaled $1,282,000.

Required:

a. Prepare a schedule of cost of goods manufactured in good form.

b. Was the overhead underapplied or overapplied? By how much?

c. Prepare an income statement for the year in good form. The company closes any underapplied or overapplied manufacturing overhead to Cost of Goods Sold.

a. Schedule of cost of goods manufactured

Estimated total manufacturing overhead (a)	$272,000
Estimated total machine-hours (b)	17,000
Predetermined overhead rate (a) ÷ (b)	$16.00

Actual total machine-hours (a)	15,000
Predetermined overhead rate (b)	$16.00
Overhead applied (a) × (b)	$240,000

Direct materials:	
Raw materials inventory, beginning	$11,000
Add: purchases of raw materials	416,000
Total raw materials available	427,000
Deduct: raw materials inventory, ending	15,000
Raw materials used in production	412,000
Less: indirect materials	36,000
Direct materials	376,000
Direct labor	330,000
Manufacturing overhead applied	240,000
Total manufacturing costs	946,000
Add: Beginning work in process inventory	32,000
	978,000
Deduct: Ending work in process inventory	14,000
Cost of goods manufactured	$964,000

b. Overhead underapplied or overapplied

Actual manufacturing overhead cost incurred:	
Indirect materials	$36,000
Indirect labor	69,000
Factory utilities	29,000
Factory depreciation	114,000
Manufacturing overhead cost incurred	248,000
Manufacturing overhead applied	240,000
Underapplied overhead	$8,000

c. Income Statement

Beginning finished goods inventory	$108,000	
Cost of goods manufactured	964,000	
Cost of goods available for sale	1,072,000	
Ending finished goods inventory	123,000	
Unadjusted cost of goods sold	949,000	
Add: underapplied overhead	8,000	
Adjusted cost of goods sold	$957,000	

Sales		$1,282,000
Cost of goods sold (adjusted)		957,000
Gross margin		325,000
Selling and administrative expenses:		
Administrative salaries	$157,000	
Selling costs	113,000	
Depreciation	7,000	277,000
Net operating income		$48,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-01 Compute a predetermined overhead rate.

Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.

Learning Objective: 02-06 Prepare schedules of cost of goods manufactured and cost of goods sold and an income statement.

Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in

Manufacturing Overhead to the appropriate accounts.

Topic: Job-Order Costing

Topic: Schedules of Cost of Goods Manufactured and Cost of Goods Sold

Topic: Underapplied and Overapplied Overhead

122. Sandler Corporation bases its predetermined overhead rate on the estimated machine-hours for the upcoming year. Data for the upcoming year appear below:

Estimated machine-hours	73,000	
Estimated variable manufacturing overhead	$3.49	per machine-hour
Estimated total fixed manufacturing overhead	$838,770	

Required:

Compute the company's predetermined overhead rate.

Estimated total manufacturing overhead = $838,770 + ($3.49 per machine-hour × 73,000 machine-hours) = $1,093,540

Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total amount of the allocation base = $1,093,540 ÷ 73,000 machine-hours = $14.98 per machine-hour

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-01 Compute a predetermined overhead rate.

Topic: Job-Order Costing

123. Wahr Corporation bases its predetermined overhead rate on the estimated labor-hours for the upcoming year. At the beginning of the most recently completed year, the company estimated the labor-hours for the upcoming year at 32,000 labor-hours. The estimated variable manufacturing overhead was $7.17 per labor-hour and the estimated total fixed manufacturing overhead was $584,320. The actual labor-hours for the year turned out to be 33,300 labor-hours.

Required:

Compute the company's predetermined overhead rate for the recently completed year.

Estimated total manufacturing overhead = $584,320 + ($7.17 per machine-hour × 32,000 machine-hours) = $813,760
Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total amount of the allocation base = $813,760 ÷ 32,000 machine-hours = $25.43 per labor-hour

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 1 Easy
Learning Objective: 02-01 Compute a predetermined overhead rate.
Topic: Job-Order Costing

124. Escatel Corporation bases its predetermined overhead rate on the estimated labor-hours for the upcoming year. Data for the most recently completed year appear below:

Estimates made at the beginning of the year:		
Estimated labor-hours	24,000	
Estimated variable manufacturing overhead	$6.86	per labor-hour
Estimated total fixed manufacturing overhead	$394,560	
Actual labor-hours for the year	24,500	

Required:

Compute the company's predetermined overhead rate for the recently completed year.

Estimated total manufacturing overhead = $394,560 + ($6.86 per labor-hour × 24,000 labor-hours) = $559,200

Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total amount of the allocation base = $559,200 ÷ 24,000 labor-hours = $23.30 per labor-hour

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 1 Easy
Learning Objective: 02-01 Compute a predetermined overhead rate.
Topic: Job-Order Costing

125. Dobrinski Corporation bases its predetermined overhead rate on the estimated labor-hours for the upcoming year. At the beginning of the most recently completed year, the company estimated the labor-hours for the upcoming year at 13,000 labor-hours. The estimated variable manufacturing overhead was $2.35 per labor-hour and the estimated total fixed manufacturing overhead was $156,130.

Required:

Compute the company's predetermined overhead rate.

Estimated total manufacturing overhead = $156,130 + ($2.35 per labor-hour × 13,000 labor-hours) = $186,680
Predetermined overhead rate = Estimated total manufacturing overhead ÷ Estimated total amount of the allocation base = $186,680 ÷ 13,000 labor-hours = $14.36 per labor-hour

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 1 Easy
Learning Objective: 02-01 Compute a predetermined overhead rate.
Topic: Job-Order Costing

126 The following accounts will be used in this problem:

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A. Raw materials inventory

B. Accounts payable

C. Cost of goods sold

D. Work in process inventory

E. Manufacturing overhead

F. Wages and salaries expense

G. Accumulated depreciation

H. Depreciation expense

I. Finished goods inventory

J. Wages and salaries payable

K. Prepaid insurance

L. Insurance expense

Required:

Enter identifying letters in the blanks below to indicate the accounts debited and credited under a job-order costing system for each of the following summary transactions:

	Debit	Credit	
a.	_____	_____	Insurance expired on the factory building
b.	_____	_____	Cost of goods sold is recorded
c.	_____	_____	Materials are purchased on account
d.	_____	_____	Direct labor cost is incurred
e.	_____	_____	Cost of goods manufactured is recorded
f.	_____	_____	Salaries are recorded for the sales staff
g.	_____	_____	Depreciation is recorded on the factory building
h.	_____	_____	Materials are placed into production
i.	_____	_____	Manufacturing overhead assigned to units of product

a. E, K

b. C, I

c. A, B

d. D, J

e. I, D

f. F, J

g. E, G

h. D, A

i. D, E

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.

Learning Objective: 02-06 Prepare schedules of cost of goods manufactured and cost of goods sold and an income statement.

Topic: Job-Order Costing—The Flow of Costs

Topic: Schedules of Cost of Goods Manufactured and Cost of Goods Sold

127. During June, Catlin Corporation purchased $76,000 of raw materials on credit to add to its raw materials inventory. A total of $81,000 of raw materials was requisitioned from the storeroom for use in production. These requisitioned raw materials included $5,000 of indirect materials.

Required:

Prepare journal entries to record the purchase of materials and their use in production.

Raw Materials	76,000	
Accounts Payable		76,000
Work in Process	76,000	
Manufacturing Overhead	5,000	
Raw Materials		81,000

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 1 Easy
Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.
Topic: Job-Order Costing—The Flow of Costs

128. Glen Lake Corporation recorded the following transactions for the just completed month:

a. $60,000 in raw materials were purchased on account.
b. $51,000 in raw materials were requisitioned for use in production. Of this amount, $42,000 was for direct materials and the remainder was for indirect materials.
c. Total labor wages of $92,000 were incurred and paid. Of this amount, $81,000 was for direct labor and the remainder was for indirect labor.
d. Additional manufacturing overhead cost of $155,000 were incurred. All were on account.

Required:

Record the above transactions in journal entries.

a.	Raw Materials Inventory	60,000	
	Accounts Payable		60,000
b.	Work in Process Inventory	42,000	
	Manufacturing Overhead	9,000	
	Raw Materials Inventory		51,000
c.	Work in Process Inventory	81,000	
	Manufacturing Overhead	11,000	
	Cash		92,000
d.	Manufacturing Overhead	155,000	
	Accounts Payable		155,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.

Topic: Job-Order Costing—The Flow of Costs

129. During August, Allee Corporation incurred $64,000 of actual Manufacturing Overhead costs. During the same period, the Manufacturing Overhead applied to Work in Process was $66,000.

Required:

Prepare journal entries to record the incurrence of manufacturing overhead and the application of manufacturing overhead to Work in Process.

Manufacturing Overhead	64,000	
Various accounts.....		64,000
Work in Process	66,000	
Manufacturing Overhead ...		66,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-04 Understand the flow of costs in a job-order costing system and prepare appropriate journal entries to record costs.

Topic: Job-Order Costing—The Flow of Costs

130. The following cost data relate to the manufacturing activities of Newberry Company during the just completed year:

Total actual manufacturing overhead costs incurred (including $15,000 of indirect materials)	$353,000
Purchases of raw materials (both direct and indirect)	$250,000
Direct labor cost	$135,000
Inventories:	
Raw materials, beginning	$10,000
Raw materials, ending	$15,000
Work in process, beginning	$20,000
Work in process, ending	$35,000

The company uses a predetermined overhead rate to apply manufacturing overhead cost to production. The predetermined overhead rate for the year was $15 per machine-hour. A total of 23,000 machine-hours were recorded for the year.

Required:

a. Compute the amount of underapplied or overapplied manufacturing overhead cost for the year.

b. Prepare a Schedule of Cost of Goods Manufactured for the year.

a.

Actual manufacturing overhead cost	$353,000
Applied manufacturing overhead cost	345,000
Underapplied manufacturing overhead	$8,000

b. Schedule of Cost of Goods Manufactured

Raw materials inventory, beginning	$10,000
Add: Purchases of raw materials	250,000
Total raw materials available	260,000
Deduct: Raw materials inventory, ending	15,000
Raw materials used in production	245,000
Less: indirect materials	15,000
Direct materials	230,000
Direct labor	135,000
Manufacturing overhead applied	345,000
Total manufacturing costs	710,000
Add: Beginning work in process inventory	20,000
	730,000
Deduct: Ending work in process inventory	35,000
Cost of goods manufactured	$695,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.

Learning Objective: 02-06 Prepare schedules of cost of goods manufactured and cost of goods sold and an income statement.

Learning Objective: 02-07 Compute underapplied or overapplied overhead cost and prepare the journal entry to close the balance in Manufacturing Overhead to the appropriate accounts.

Topic: Job-Order Costing

Topic: Schedules of Cost of Goods Manufactured and Cost of Goods Sold

Topic: Underapplied and Overapplied Overhead

131. Job 434 was recently completed. The following data have been recorded on its job cost sheet:

Direct materials	$45,000
Direct labor-hours	630 labor-hours
Direct labor wage rate	$13 per labor-hour
Machine-hours	390 machine-hours
Number of units completed	3,000 units

The company applies manufacturing overhead on the basis of machine-hours. The predetermined overhead rate is $12 per machine-hour.

Required:

Compute the unit product cost that would appear on the job cost sheet for this job.

Cost Summary

Direct materials	$45,000
Direct labor $13 per DLH × 630 DLHs	8,190
Manufacturing overhead $12 per MH × 390 MHs	4,680
Total cost	$57,870
Unit product cost	$19.29

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 1 Easy

Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.

Topic: Job-Order Costing

132. Job 599 was recently completed. The following data have been recorded on its job cost sheet:

Direct materials	$40,610
Direct labor-hours	1,147 DLHs
Direct labor wage rate	$11 per DLH
Number of units completed	3,100 units

The company applies manufacturing overhead on the basis of direct labor-hours. The predetermined overhead rate is $20 per direct labor-hour.

Required:

Compute the unit product cost that would appear on the job cost sheet for this job.

Cost Summary

Direct materials	$40,610
Direct labor $11 per DLH × 1,147 DLHs	12,617
Manufacturing overhead $20 per DLH × 1,147 DLHs	22,940
Total cost	$76,167
Unit product cost	$24.57

AACSB: Analytic
AICPA BB: Critical Thinking
AICPA FN: Measurement
Blooms: Apply
Difficulty: 1 Easy
Learning Objective: 02-02 Apply overhead cost to jobs using a predetermined overhead rate.
Topic: Job-Order Costing

133. Shapiro Corporation has provided the following data for the most recent month:

Raw materials, beginning balance	$13,000
Work in process, beginning balance	$29,000
Finished Goods, beginning balance	$50,000
Transactions:	
(1) Raw materials purchases	$64,000
(2) Raw materials used in production (all direct materials)	$69,000
(3) Direct labor	$57,000
(4) Manufacturing overhead costs incurred	$85,000
(5) Manufacturing overhead applied	$87,000
(6) Cost of units completed and transferred from Work in Process to Finished Goods	$216,000
(7) Any overapplied or underapplied manufacturing overhead is closed to Cost of Goods Sold	?
(8) Finished goods are sold	$262,000

Required:

Prepare T-accounts for Raw Materials, Work in Process, Finished Goods, Manufacturing Overhead, and Cost of Goods Sold. Record the beginning balances and each of the transactions listed above. Finally, determine the ending balances.

Raw Materials			
Beginning balance	13,000	(2) Direct materials	69,000
(1) Raw materials purchases	64,000		
Ending balance	8,000		

Work in Process			
Beginning balance	29,000	(6) Transfer to FG	216,000
(2) Direct materials	69,000		
(3) Direct labor	57,000		
(5) Manufacturing overhead applied	87,000		
Ending balance	26,000		

Finished Goods			
Beginning balance	50,000	(8) Cost of goods sold	262,000
(6) Transfer from WIP	216,000		
Ending balance	4,000		

Manufacturing Overhead			
(4) Manufacturing overhead incurred	85,000	(5) Manufacturing overhead applied	87,000
(7) Manfacturing overhead overapplied	2,000		

Cost of Goods Sold			
		(7) Manufacturing overhead overapplied	2,000
(8) Cost of goods sold	262,000		
	260,000		

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-05 Use T-accounts to show the flow of costs in a job-order costing system.

Topic: Job-Order Costing—The Flow of Costs

134 Goodenough Inc. has provided the following data for August:

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Raw materials, beginning balance	$14,000
Work in process, beginning balance	$38,000
Finished Goods, beginning balance	$43,000

Transactions:	
(1) Raw materials purchases	$80,000
(2) Raw materials used in production (all direct materials)	$79,000
(3) Direct labor	$61,000
(4) Manufacturing overhead costs incurred	$74,000
(5) Manufacturing overhead applied	$84,000
(6) Cost of units completed and transferred from Work in Process to Finished Goods	$236,000
(7) Any overapplied or underapplied manufacturing overhead is closed to Cost of Goods Sold	?
(8) Finished goods are sold	$251,000

Required:

Prepare T-accounts for Raw Materials, Work in Process, Finished Goods, and Manufacturing Overhead, and Cost of Goods Sold. Record the beginning balances and each of the transactions listed above. Finally, determine the ending balances.

Raw Materials			
Beginning balance	14,000	(2) Direct materials	79,000
(1) Raw materials purchases	80,000		
Ending balance	15,000		

Work in Process			
Beginning balance	38,000	(6) Transfer to FG	236,000
(2) Direct materials	79,000		
(3) Direct labor	61,000		
(5) Manufacturing overhead applied	84,000		
Ending balance	26,000		

Finished Goods			
Beginning balance	43,000	(8) Cost of goods sold	251,000
(6) Transfer from WIP	236,000		
Ending balance	28,000		

Manufacturing Overhead			
(4) Manufacturing overhead incurred	74,000	(5) Manufacturing overhead applied	84,000
(7) Overapplied manufacturing overhead	10,000		

Cost of Goods Sold			
		(7) Manufacturing overhead overapplied	10,000
(8) Cost of goods sold	251,000		
	241,000		

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-05 Use T-accounts to show the flow of costs in a job-order costing system.

Topic: Job-Order Costing—The Flow of Costs

135. During September, Paliotta Corporation recorded the following:

Raw materials, beginning balance	$10,000
Work in process, beginning balance	$36,000
Finished Goods, beginning balance	$45,000

Transactions:

(1) Raw materials purchases	$86,000
(2) Raw materials used in production (all direct materials)	$89,000
(3) Direct labor	$84,000
(4) Manufacturing overhead costs incurred	$62,000
(5) Manufacturing overhead applied	$86,000
(6) Cost of units completed and transferred from Work in Process to Finished Goods	$276,000
(7) Any overapplied or underapplied manufacturing overhead is closed to Cost of Goods Sold	?
(8) Finished goods are sold	$302,000

Required:

Prepare T-accounts for Raw Materials, Work in Process, Finished Goods, and Manufacturing Overhead, and Cost of Goods Sold. Record the beginning balances and each of the transactions listed above. Finally, determine the ending balances.

Raw Materials			
Beginning balance	10,000		
(1) Raw materials purchases	86,000	(2) Direct materials	89,000
Ending balance	7,000		

Work in Process			
Beginning balance	36,000		
(2) Direct materials	89,000		
(3) Direct labor	84,000		
(5) Manufacturing overhead applied	86,000	(6) Transfer to FG	276,000
Ending balance	19,000		

Finished Goods			
Beginning balance	45,000		
(6) Transfer from WIP	276,000	(8) Cost of goods sold	302,000
Ending balance	19,000		

Manufacturing Overhead			
(4) Manufacturing overhead incurred	62,000	(5) Manufacturing overhead applied	86,000
(7) Overapplied manufacturing overhead	24,000		

Cost of Goods Sold			
		(7) Manufacturing overhead overapplied	24,000
(8) Cost of goods sold	302,000		
	278,000		

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-05 Use T-accounts to show the flow of costs in a job-order costing system.

Topic: Job-Order Costing—The Flow of Costs

136. Hirschman Corporation has provided the following data for the month of April:

Inventories:	Beginning	Ending
Raw materials	$21,000	$35,000
Work in process	$17,000	$19,000
Finished goods	$46,000	$38,000

Additional information:	
Raw materials purchases	$76,000
Direct labor cost	$81,000
Manufacturing overhead cost incurred	$42,000
Indirect materials included in manufacturing overhead cost incurred	$6,000
Manufacturing overhead cost applied to Work in Process	$44,000

Required:

Prepare a Schedule of Cost of Goods Manufactured and a Schedule of Cost of Goods Sold in good form.

Cost of Goods Manufactured		
Direct materials		
Beginning materials inventory	$21,000	
Add: Purchases of raw materials	76,000	
Raw materials available for use	97,000	
Deduct: Ending raw materials inventory	35,000	
Raw materials used in production	62,000	
Less indirect materials included in manufacturing overhead incurred	6,000	$56,000
Direct labor		81,000
Manufacturing overhead applied to Work in Process		44,000
Total manufacturing costs		181,000
Add: Beginning work in process inventory		17,000
		198,000
Deduct: Ending work in process inventory		19,000
Cost of goods manufactured		$179,000

Cost of Goods Sold	
Beginning finished goods inventory	$46,000
Add: Cost of goods manufactured	179,000
Cost of goods available for sale	225,000
Deduct: Ending finished goods inventory	38,000
Unadjusted cost of goods sold	187,000
Deduct: Overapplied manufacturing overhead	2,000
Adjusted cost of goods sold	$185,000

AACSB: Analytic

AICPA BB: Critical Thinking

AICPA FN: Measurement

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 02-06 Prepare schedules of cost of goods manufactured and cost of goods sold and an income statement.

Topic: Schedules of Cost of Goods Manufactured and Cost of Goods Sold