Homework: E1-5, E1-12, E2-12a, E2-13a

Gala Company is a manufacturer of laptop computers. Various costs and expenses associated with its operations are as follows.

1. Property taxes on the factory building.

2. Production superintendents’ salaries.

3. Memory boards and chips used in assembling computers.

4. Depreciation on the factory equipment.

5. Salaries for assembly-line quality control inspectors.

6. Sales commissions paid to sell laptop computers.

7. Electrical components used in assembling computers.

8. Wages of workers assembling laptop computers.

9. Soldering materials used on factory assembly lines.

10. Salaries for the night security guards for the factory building.

The company intends to classify these costs and expenses into the following categories: (a) direct materials, (b) direct labor, (c) manufacturing overhead, and (d) period costs.

Instructions List the items (1) through (10). For each item, indicate the cost category to which it belongs.

1. C
2. C
3. A
4. C
5. C
6. D
7. A
8. B
9. C
10. C

Cepeda Corporation has the following cost records for June 2020.

Indirect factory labor $ 4,500 Factory utilities $ 400

Direct materials used 20,000 Depreciation, factory equipment 1,400

Work in process, 6/1/20 3,000 Direct labor 40,000

Work in process, 6/30/20 3,800 Maintenance, factory equipment 1,800

Finished goods, 6/1/20 5,000 Indirect materials 2,200

Finished goods, 6/30/20 7,500 Factory manager’s salary 3,000

Instructions

a. Prepare a cost of goods manufactured schedule for June 2020.

|  |  |
| --- | --- |
| Direct Materials Used | 20,000 |
| Direct Labor | 40,000 |
| Manufacturing overhead costs (WNI) | 13,300 |
| Total Manufacturing costs | 73,300 |
| Add : Beginning WIP Inventory | 3,000 |
| Less: Ending WIP inventory | (3,800) |
| Cost of good Manufactured for June 2020 | 72,500 |

Calculation of cost of good sold

|  |  |
| --- | --- |
| COGM | 72,500 |
| Add: Beginning Finished Goods In. | 5,000 |
| Less: Ending Finished Good In. | (7,500) |
| Cost of goods Sold | 70,000 |

Calculation of manufacturing Overhead

|  |  |
| --- | --- |
| ID Materials | 2,200 |
| ID Factory Labor | 4,500 |
| Factory Utilities | 400 |
| Depreciation, Factory Eq. | 1,400 |
| Maintenance, Factory Eq. | 1,800 |
| Factory manger’s salary | 3,000 |
| Total MO | 13,300 |

b. Prepare an income statement through gross proﬁt for June 2020 assuming sales revenue is $92,100.

|  |  |
| --- | --- |
| Sales Revenue | 92,100 |
| Less: COGS | 70,000 |
| Gross Profit | 22,100 |

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

Determine cost of jobs and ending balance in work in process and over-head accounts. Waters Inc. Renolds Inc. Bayﬁeld Inc.

Direct materials $600 $400 $200

Auditor labor costs $5,400 $6,600 $3,375

Auditor hours 72 88 45

Overhead costs are applied to jobs on the basis of auditor hours, and the predetermined overhead rate is $50 per auditor hour. The Waters Inc. job is the only incomplete job at the end of November. The actual overhead for the month was $11,000.

Instructions

a. Determine the cost of each job.

Waters: 600 + 5,400 + (72\*50) = $9,600

Reynolds: 400 + 6,600+ (88\*50) = $11,400

Bayfield: 200+3,375+ (45 \*50) = $5,825

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

Estimated overhead $960,000

Actual overhead $982,800

Estimated decorator hours 40,000

Actual decorator hours 40,500

The company uses Operating Overhead in place of Manufacturing Overhead.

Instructions

a. Compute the predetermined overhead rate.

predetermined overhead rate = Estimated overhead / Actual decorator hours

POR = $960,000 / 40,500 hours ≃ $23.70 per decorator hour