[COST ACCOUNTING]

- Job-order Costing

I. Theories

True or False

Write T if the statement is true otherwise, Write F.

1. A company that produces sugar will use a job order costing system to track production costs.
2. A company that produces sugar will use a process costing system to track production costs.
3. A company that manufactures custom bridal gowns will use a job order costing system to track production costs
4. A company that manufactures custom bridal gowns will use a process costing system to track costs.
5. A company that manufactures small quantities of identifiable products will use a job order costing system
6. A company that manufactures small quantities of identifiable products will use a process costing system
7. A company that manufactures large quantities of homogenous goods will use a process costing system.
8. In an actual job order costing system, factory overhead is assigned to a job on a periodic basis.
9. A company that manufactures large quantities of homogenous goods will use a job order costing system.
10. Cost flows and physical flows of units are identical.
11. In an actual job-order costing system, factory overhead is assigned to a job continuously during the production process.
12. In a normal job order costing system, actual factory overhead is applied at the end of the period
13. In a normal job order costing system, factory overhead is applied using actual rates times actual input
14. In a normal job order costing system, factory overhead is applied using predetermined rates times actual input.
15. In a normal job order costing system, factory overhead is applied using predetermined rates times standard input
16. In a standard job order costing system, factory overhead is applied using predetermined rates times standard input.
17. In a standard job order costing system, factory overhead is applied using actual rates times standard input.
18. In a standard job order costing system, factory overhead is applied using predetermined rates times actual input.
19. In a job order costing system, costs are accumulated for each individual job
20. When raw materials are placed into production, the materials inventory account is debited
21. When manufacturing overhead is charged to a job, the work in process account is debited.
22. When manufacturing overhead is charged to a job, the manufacturing overhead account is debited.
23. When manufacturing overhead is charged to a job, the work in process account is credited.
24. When indirect labor is applied to a job in process, the manufacturing overhead account is debited.
25. When indirect labor is recorded for a job in process, the work in process account is debited.
26. Standards can be computed for materials, labor, and overhead.

27. Standards can be used in a job order costing system if the products manufactured are similar in nature.
28. Overapplied factory overhead that is material in amount is closed to cost of goods sold at year end.
29. Overapplied factory overhead that is immaterial in amount is closed to cost of goods sold at year end.
30. Overapplied overhead that is material in amount is allocated between Finished Goods Inventory, Work in Process, and Cost of Goods Sold at year end
31. Standards can be used in a job order costing system if the products manufactured are varied in nature.
32. If a normal loss is anticipated on a specific job, the overhead application rate should include an amount for the cost of defective units less disposal value.
33. If a normal loss is anticipated on all jobs, the overhead application rate should include an amount for the cost of defective units less disposal value.
34. Normal spoilage is considered a period cost
35. Abnormal spoilage is considered a period cost
36. The journal entry to record normal spoilage specifically identified with a particular job includes a debit to Work in Process
37. The journal entry to record normal spoilage specifically identified with a particular job includes a credit to Work in Process
38. Spoilage occurring on specific jobs should be considered in computing predetermined factory overhead rates
39. Cost accounting is primarily concerned with accumulating information about product costs.
40. A job order cost system is most appropriate when a large volume of uniform products are produced.
41. A process cost accounting system is appropriate for homogeneous products that are continuously mass produced.
42. The perpetual inventory method cannot be used in a job order cost system.
43. A job order cost system and a process cost system are two alternative methods for valuing inventories.
44. A job order cost system identifies costs with a particular job rather than with a set time period.
45. A company may use either a job order cost system or a process cost system, but not both.
46. Raw Materials Inventory, Factory Labor, and Manufacturing Overhead are all control accounts in the general ledger when a job order cost accounting system is used.
47. Accumulating and assigning manufacturing costs are two important activities in a job order cost system.
48. Recording the acquisition of raw materials is a part of accumulating manufacturing costs.
49. Manufacturing costs are generally incurred in one period and recorded in a subsequent period.
50. The Purchases account is credited for all raw materials purchase returns and allowances.
51. The stores ledger cards are the subsidiary ledger for Raw Materials Inventory control account in the general ledger.
52. When raw materials are purchased, the Work in Process Inventory account is debited.
53. Factory labor should be assigned to selling and administrative expenses on a proportionate basis.
54. Fringe benefits and payroll taxes associated with factory workers should be accumulated as a part of Factory Labor.
55. Job order cost sheets constitute the subsidiary ledger of the control account Work In Process Inventory.
56. In a job order cost system, each entry to the Work In Process Inventory account should be

accompanied by a posting to one or more job cost sheets.
57. Direct materials requisitioned from the storeroom should be charged to the Work In Process Inventory account and the job cost sheets for the individual jobs on which the material was used.
58. Manufacturing overhead is the only product cost that can be assigned to jobs as soon as the costs are incurred.
59. There should be a separate job cost sheet for each job.
60. Actual manufacturing overhead costs are assigned to each job by tracing each overhead cost to a specific job.
61. The formula for the predetermined overhead rate is estimated annual overhead costs divided by an estimated activity base.
62. Actual manufacturing overhead costs should be charged to the Work in Process Inventory account as they are incurred.
63. A good system of internal control requires that the job order cost sheet be destroyed as soon as the job is complete.
64. Finished Goods Inventory is charged for the cost of jobs completed during a period.
65. When goods are sold, the Cost of Goods Sold account is debited and the Work in Process Inventory account is credited.
66. Total manufacturing costs for a period consists of the costs of direct material used, the cost of direct labor incurred, and the manufacturing overhead applied during the period.
67. Overapplied overhead means that actual manufacturing overhead costs were greater than the manufacturing overhead costs applied to jobs.
68. If monthly financial statements are prepared, underapplied overhead is shown as a prepaid expense on the balance sheet.

Multiple Choice
Select the letter of the best answer.

1. When job order costing is used, the primary focal point of cost accumulation is the
   a. department.
   b. supervisor.
   c. item.
   d. job.

2. In a job order costing system,
   a. standards cannot be used.
   b. an average cost per unit within a job cannot be computed.
   c. costs are accumulated by departments and averaged among all jobs.
   d. overhead is typically assigned to jobs on the basis of some cost driver.

3. What is the best cost accumulation procedure to use when many batches, each differing as to product specifications, are produced?
   a. job order
   b. process
   c. actual
   d. standard

4. Which of the following could **not** be used in job order costing?
   a. standards
   b. an average cost per unit for all jobs

c. normal costing
d. overhead allocation based on the job's direct labor hours

5. Which of the following costing methods of valuation are acceptable in a job order costing system?

	Actual Material Cost	Standard Material Cost	Actual Labor Cost	Predetermined Overhead Cost
a.	yes	yes	no	yes
b.	yes	no	yes	no
c.	no	yes	yes	yes
d.	yes	yes	yes	yes

6. Which of the following costing systems allows management to quickly recognize materials, labor, and overhead variances and take measures to correct them?

	Actual Cost System	Normal Cost System
a.	yes	yes
b.	yes	no
c.	no	yes
d.	no	no

7. In a normal cost system, a debit to Work in Process Inventory would **not** be made for
   a. actual overhead.
   b. applied overhead.
   c. actual direct material.
   d. actual direct labor.

8. Which of the following are drawbacks to applying actual overhead to production?
   a. A delay occurs in assigning costs to jobs or products.
   b. Fluctuations in quantities produced during a period could cause varying per-unit charges for fixed overhead.
   c. Seasonality of overhead costs may cause distortions in job or product costs.
   d. all answers are correct.

9. Job order costing and process costing have which of the following characteristics?

	Job Order Costing	Process Costing
a.	homogeneous products and large quantities	heterogeneous products and small quantities
b.	homogeneous products and small quantities	heterogeneous products and large quantities
c.	heterogeneous products and large quantities	homogeneous products and small quantities
d.	heterogeneous products and small quantities	homogeneous products and large quantities

10. A credit to Work in Process Inventory represents
    a. work still in process.
    b. raw material put into production.
    c. the application of overhead to production.
    d. the transfer of completed items to Finished Goods Inventory.

11. In a job order costing system, the dollar amount of the entry that debits Finished Goods Inventory and credits Work in Process Inventory is the sum of the costs charged to all jobs
    a. started in process during the period.
    b. in process during the period.
    c. completed and sold during the period.
    d. completed during the period.

12. Total manufacturing costs for the year plus beginning Work in Process Inventory cost equals
    a. cost of goods manufactured in the year.
    b. ending Work in Process Inventory.
    c. total manufacturing costs to account for.
    d. cost of goods available for sale.

13. Which of the following would be **least** likely to be supported by subsidiary accounts or ledgers in a company that employs a job order costing system?
    a. Work in Process Inventory
    b. Raw Material Inventory
    c. Accounts Payable
    d. Supplies Inventory

14. A journal entry includes a debit to Work in Process Inventory and a credit to Raw Material Inventory. The explanation for this would be that
    a. indirect material was placed into production.
    b. raw material was purchased on account.
    c. direct material was placed into production.
    d. direct labor was used for production.

15. The source document that records the amount of raw material that has been requested by production is the
    a. job order cost sheet.
    b. bill of lading.
    c. interoffice memo.
    d. material requisition.

16. A material requisition form should show all of the following information **except**
    a. job number.
    b. quantity required.
    c. unit cost.
    d. purchase order number.

17. Which of the following statements about job order cost sheets is **true**?
    a. All job order cost sheets serve as the general ledger control account for Work in Process Inventory.
    b. Job order cost sheets can serve as subsidiary ledger information for both Work in

Process Inventory and Finished Goods Inventory.
c. If material requisition forms are used, job order cost sheets do not need to be maintained.
d. Job order cost sheets show costs for direct material and direct labor, but not for manufacturing overhead since it is an applied amount.

18. The primary accounting document in a job order costing system is a(n)
    a. bill of materials.
    b. job order cost sheet.
    c. employee time sheet.
    d. materials requisition.

19. The cost sheets for incomplete jobs at the end of the period comprise the subsidiary ledger for
    a. Finished Goods Inventory.
    b. Raw Material Inventory.
    c. Work in Process Inventory.
    d. Supplies Inventory.

20. The _____ provides management with a historical summation of total costs for a given product.
    a. job order cost sheet
    b. employee time sheet
    c. material requisition form
    d. bill of lading

21. The source document that records the amount of time an employee worked on a job and his/her pay rate is the
    a. job order cost sheet.
    b. employee time sheet.
    c. interoffice memo.
    d. labor requisition form.

22. Which of the following journal entries records the accrual of the cost of indirect labor used in production?
    a. debit Work in Process Inventory, credit Wages Payable
    b. debit Work in Process Inventory, credit Manufacturing Overhead
    c. debit Manufacturing Overhead, credit Work in Process Inventory
    d. debit Manufacturing Overhead, credit Wages Payable

23. In job order costing, payroll taxes paid by the employer for factory employees are commonly accounted for as
    a. direct labor cost.
    b. manufacturing overhead cost.
    c. indirect labor cost.
    d. administrative cost.

24. The logical explanation for an entry that includes a debit to Manufacturing Overhead control and a credit to Prepaid Insurance is
    a. the insurance company sent the company a refund of its policy premium.
    b. overhead for insurance was applied to production.
    c. insurance for production equipment expired.

d. insurance was paid on production equipment.

25. The journal entry to apply overhead to production includes a credit to Manufacturing Overhead control and a debit to
    a. Finished Goods Inventory.
    b. Work in Process Inventory.
    c. Cost of Goods Sold.
    d. Raw Material Inventory.

26. Production overhead does **not** include the costs of
    a. factory depreciation and supplies.
    b. factory employees' cafeteria departments.
    c. production line labor.
    d. the maintenance department for the factory.

27. In a job order costing system, the use of indirect material would usually be reflected in the general ledger as an increase in
    a. stores control.
    b. work in process control.
    c. manufacturing overhead applied.
    d. manufacturing overhead control.

28. A credit to the Manufacturing Overhead control account represents the
    a. actual cost of overhead incurred.
    b. actual cost of overhead paid this period.
    c. amount of overhead applied to production.
    d. amount of indirect material and labor used during the period.

29. The journal entry to record the incurrence and payment of overhead costs for factory insurance requires a debit to
    a. Cash and a credit to Manufacturing Overhead.
    b. Manufacturing Overhead and a credit to Accounts Payable.
    c. Manufacturing Overhead and a credit to Cash.
    d. Work in Process Inventory and a credit to Cash.

30. Overhead is applied to jobs in a job order costing system
    a. at the end of a period.
    b. as jobs are completed.
    c. at the end of a period or as jobs are completed, whichever is earlier.
    d. at the end of a period or as jobs are completed, whichever is later.

31. In a job order costing system, the subsidiary ledger for Finished Goods Inventory is comprised of
    a. all job order cost sheets.
    b. job order cost sheets for all uncompleted jobs.
    c. job order cost sheets for all completed jobs not yet sold.
    d. job order cost sheets for all ordered, uncompleted, and completed jobs.

32. Underapplied overhead resulting from unanticipated and immaterial price increases for overhead items should be written off by
    a. decreasing Cost of Goods Sold.

b. increasing Cost of Goods Sold.
c. decreasing Cost of Goods Sold, Work in Process Inventory, and Finished Goods Inventory.
d. increasing Cost of Goods Sold, Work in Process Inventory, and Finished Goods Inventory.

33. Overapplied overhead would result if
a. the plant were operated at less than normal capacity.
b. overhead costs incurred were less than costs charged to production.
c. overhead costs incurred were unreasonably small in relation to units produced.
d. overhead costs incurred were greater than costs charged to production.

34. Debits to Cost of Goods Sold typically represent the
a. transfer of completed items to Finished Goods Inventory.
b. costs of items sold.
c. selling price of items sold.
d. the cost of goods manufactured.

35. In a perpetual inventory system, a transaction that requires two journal entries (or one compound entry) is needed when
a. raw materials are purchased on account.
b. goods are sold for either cash or on account.
c. goods are finished and transferred out of Work in Process Inventory.
d. overhead is applied to Work in Process Inventory.

36. Which of the following statements is **false**?
a. While the use of standard costing is acceptable for job order costing systems, actual cost records should still be maintained.
b. It is normally more time-consuming for a company to use standard costs in a job order costing system.
c. Standards can be used in a job order costing system, if the company usually produces items that are similar in nature.
d. Standard costs may be used for material, labor, or both material and labor in a job order costing environment.

37. The trend in job order costing is to
a. eliminate the data entry function for the accounting system.
b. automate the data collection and data entry functions.
c. use accounting software to change the focal point of the job order system.
d. create an Intranet to share information between competitors.

38. As data input functions are automated, Intranet data becomes more
a. complicated to access.
b. manufacturing, but not accounting, oriented.
c. real-time accessible.
d. expensive to install, but easier to use.

39. The use of standard material or labor costs in job order costing
a. is similar to the use of predetermined overhead rates in a normal costing system.
b. will keep actual costs of jobs from fluctuating due to changes in component costs.

c. is appropriate for any company making a units to customer specification.
d. all answers are correct.

40. After the completion of production, standard and actual costs are compared to determine the _____ of the production process.
a. effectiveness
b. complexity
c. homogeneity
d. efficiency

41. A company producing which of the following would be **most** likely to use a price standard for material?
a. furniture
b. NFL-logo jackets
c. picture frames
d. none of the above

42. A company producing which of the following would be **most** likely to use a time standard for labor?
a. mattresses
b. picture frames
c. floral arrangements
d. stained-glass windows

43. A service organization would be most likely to use a predetermined overhead rate based on
a. machine hours.
b. standard material cost.
c. direct labor.
d. number of complaints.

44. Knowing specific job costs enables managers to effectively perform which of the following tasks?
a. estimate costs of future jobs.
b. establish realistic job selling prices.
c. evaluate job performance.
d. all answers are correct.

45. A job order costing system is likely to provide better

(1) inventory valuations for financial statements.
(2) control over inventory.
(3) information about ability to accept additional production work.

	(1)	(2)	(3)
a.	yes	no	no
b.	no	yes	yes
c.	no	no	no
d.	yes	yes	yes

46. In a production environment that manufactures goods to customer specifications, a job order costing system

a. can be used only if standard costs are used for materials and labor.
b. will provide reasonable product cost information only when all jobs utilize approximately the same quantities of material and labor.
c. may be maintained using either actual or predetermined overhead rates.
d. emphasizes that large customers create the most costs even though they also provide the most revenues.

47. A unit that is rejected at a quality control inspection point, but that can be reworked and sold, is referred to as a
a. spoiled unit.
b. scrap unit.
c. abnormal unit.
d. defective unit.

48. The cost of abnormal losses (net of disposal costs) should be written off as

	Product cost	Period cost
a.	yes	no
b.	yes	yes
c.	no	yes
d.	no	no

49. In a job order costing system, the net cost of normal spoilage is equal to
a. estimated disposal value plus the cost of spoiled work.
b. the cost of spoiled work minus estimated spoilage cost.
c. the units of spoiled work times the predetermined overhead rate.
d. the cost of spoiled work minus the estimated disposal value.

50. If abnormal spoilage occurs in a job order costing system, has a material dollar value, and is related to a specific job, the recovery value of the spoiled goods should be

	debited to	credited to
a.	a scrap inventory account	the specific job in process
b.	the specific job in process	overhead
c.	a loss account	the specific job in process
d.	factory overhead	sales

51. In a job order costing system, the net cost of normal spoilage is equal to
a. estimated disposal value plus the cost of spoiled work.
b. the cost of spoiled work minus estimated spoilage cost.
c. the units of spoiled work times the predetermined overhead rate.
d. the cost of spoiled work minus the estimated disposal value.

52. Shrinkage should be treated as
a. defective units.
b. spoiled units.
c. miscellaneous expense.
d. a reduction of overhead.

53. Spoiled units are
    a. units that cannot be economically reworked to bring them up to standard.
    b. units that can be economically reworked to bring them up to standard.
    c. the same as defective units.
    d. considered abnormal losses.

54. Abnormal spoilage is
    a. spoilage that is forecasted or planned.
    b. spoilage that is in excess of planned.
    c. accounted for as a product cost.
    d. debited to Cost of Goods Sold.

55. Normal spoilage is defined as unacceptable production that
    a. arises because of a special job or process.
    b. occurs in on-going operations.
    c. is caused specifically by human error.
    d. is in excess of that which is expected.

56. Which of the following would fall within the range of tolerance for a production cycle?

	Abnormal loss	Normal loss
a.	yes	yes
b.	yes	no
c.	no	no
d.	no	yes

57. The net cost of normal spoilage in a job order costing system in which spoilage is common to all jobs should be
    a. assigned directly to the jobs that caused the spoilage.
    b. charged to manufacturing overhead during the period of the spoilage.
    c. charged to a loss account during the period of the spoilage.
    d. allocated only to jobs that are completed during the period.

Problems

Problem I

1. Winter Company incurred direct materials costs of P500,000 during the year. Manufacturing overhead applied was P90,000 and is applied at the rate of 60% of direct labor costs. Winter Company's total manufacturing costs for the year were?

Problem II

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

Job 101	P22,000
Job 102	16,000
Job 103	24,000
	P62,000

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

Job 101	P30,000
Job 102	26,000
Job 103	20,000
	P76,000

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

4. Actual manufacturing overhead costs incurred during the month amounted to P66,000.

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

2. *How much manufacturing overhead was applied to Job 103 during the month?*
3. *Compute the unit cost of Jobs 101 and 103.*
4. *What is the balance in Work In Process Inventory at the end of the month?*
5. *Determine if manufacturing overhead was under- or overapplied during the month. How much?*

Problem III

Cajun Company uses a job order costing system. During April 2014, the following costs appeared in the Work in Process Inventory account:

Beginning balance	P 24,000
Direct material used	70,000
Direct labor incurred	60,000
Applied overhead	48,000
Cost of goods manufactured	185,000

Cajun Company applies overhead on the basis of direct labor cost. There was only one job left in Work in Process at the end of April which contained P5,600 of overhead.

6. *What amount of direct material was included in this job?*

Problem IV

Alpha Co. uses a job order costing system. At the beginning of January, the company had two jobs in process with the following costs:

	Direct Material	Direct Labor	Overhead
Job #456	P3,400	P510	P255
Job #461	1,100	289	?

Alpha pays its workers P8.50 per hour and applies overhead on a direct labor hour basis. During January, Alpha's employees worked on Job #649. At the end of the month, P714 of overhead had been applied to this job. Total Work in Process at the end of the month was P6,800 and all other jobs had a total cost of P3,981.

7. *What amount of direct material is included in Job #649?*

Problem V
Products at Redd Manufacturing are sent through two production departments: Fabricating and Finishing. Overhead is applied to products in the Fabricating Department based on 150 percent of direct labor cost and P18 per machine hour in Finishing. The following information is available about Job #297:

	Fabricating	Finishing
Direct material	P1,590	P580
Direct labor cost	?	48
Direct labor hours	22	6
Machine hours	5	15
Overhead applied	429	?

8. *What is the total cost of Job #297?*

Problem VI
Jackson Company uses a job order costing system and the following information is available from its records. The company has three jobs in process: #6, #9, and #13.

Raw material used	P120,000
Direct labor per hour	P8.50
Overhead applied based on direct labor cost	120%

Direct material was requisitioned as follows for each job respectively: 30 percent, 25 percent, and 25 percent; the balance of the requisitions was considered indirect. Direct labor hours per job are 2,500; 3,100; and 4,200; respectively. Indirect labor is P33,000. Other actual overhead costs totaled P36,000.

9. *What is the prime cost of Job #6?*
10. *What is the total amount of overhead applied to Job #9?*
11. *What is the total amount of actual overhead?*
12. *How much overhead is applied to Work in Process?*
13. *If Job #13 is completed and transferred, what is the balance in Work in Process Inventory at the end of the period if overhead is applied at the end of the period?*
14. *Assume the balance in Work in Process Inventory was P18,500 on June 1 and P25,297 on June 30. The balance on June 30 represents one job that contains direct material of P11,250. How many direct labor hours have been worked on this job (rounded to the nearest hour)?*

Problem VII
The following information pertains to Beta Company for September 20X4.

	Direct Material	Direct Labor	Overhead
Job #323	P3,200	P4,500	?
Job #325	?	5,000	?
Job #401	5,670	?	P5,550

Beta Company applies overhead for Job #323 at 140 percent of direct labor cost and at 150 percent of direct labor cost for Jobs #325 and #401. The total cost of Jobs #323 and #325 is identical.

15. *What is the amount of direct materials for Job #325?*

16. Assume that Jobs #323 and #401 are incomplete at the end of September. What is the balance in Work in Process Inventory at that time?

Problem VIII

Strong Products has no Work in Process or Finished Goods inventories at the close of business on December 31, 2014. The balances of Strong Products' accounts as of December 31, 2014, are as follows:

Cost of goods sold--unadjusted	P2,040,000
Selling & administrative expenses	900,000
Sales	3,600,000
Manufacturing overhead control	700,000
Manufacturing overhead applied	648,000

17. Pretax income for 2014 is?

Problem IX

The Pittman Company manufactures special purpose machines to order. On January 1, there were two jobs in process, #705 and #706. The following costs were applied to these jobs in the prior year:

	Job No.	
	705	706
Direct material	P 5,000	P 8,000
Direct labor	4,000	3,000
Overhead	4,400	3,300
Total	P13,400	P14,300

During January, the following transactions took place:

* Raw material costing P40,000 was purchased on account.
* Jobs #707, #708, and #709 were started and the following costs were applied to them:

	JOB		
	707	708	709
Direct materials	P3,000	P10,000	P7,000
Direct labor	5,000	6,000	4,000

* Job #705 and Job #706 were completed after incurring additional direct labor costs of $2,000 and $4,000, respectively
* Wages paid to production employees during January totaled P25,000.
* Depreciation for the month of January totaled P10,000.
* Utilities bills in the amount of P10,000 were paid for operations during December.
* Utilities bills totaling P12,000 were received for January operations.
* Supplies costing P2,000 were used.
* Miscellaneous overhead expenses totaled P24,000 for January.

Actual overhead is applied to individual jobs at the end of each month using a rate based on actual direct labor costs.

18. Determine the January overhead rate.
19. Determine the cost of each job.
20. Determine the cost of goods manufactured.

Problem X
The Western Corporation, began operations on October 1. It employs a job order costing system. Overhead is charged at a normal rate of P2.50 per direct labor hour. The actual operations for the month of October are summarized as follows:

a. Purchases of raw material, 25,000 pieces @ P1.20/piece.

b. Material and labor costs charged to production:

Job No.	Units	Material	Direct labor cost	Direct labor hours
101	10,000	P4,000	P6,000	3,000
102	8,800	3,600	5,400	2,700
103	16,000	7,000	9,000	4,500
104	8,000	3,200	4,800	2,400
105	20,000	8,000	3,600	1,800

c. Actual overhead costs incurred:

Variable	P18,500
Fixed	15,000

d. Completed jobs: 101, 102, 103, and 104

e. Sales-P105,000. All units produced on Jobs 101, 102, and 103 were sold.

Compute the following balances on October 31
21. Materials inventory.
22. Work in process inventory.
23. Finished goods inventory.
24. Cost of goods sold.
25. Under- or overapplied overhead.

Problem XI
Steel Company uses a job order costing system and develops its predetermined overhead rate based on machine hours. The company has two jobs in process at the end of the cycle, Jobs #177 and #179.

Budgeted overhead	P100,300
Budgeted machine hours	85,000
Raw material	P 63,000
Labor cost	P 50,000

Machine hours are split between Jobs #177 and #179, 65 percent and 35 percent, respectively. Actual machine hours equal budgeted machine hours. Fifty-four percent of raw material belongs to Job 17 and 38 percent belongs to Job 179, and the balance is considered indirect material. Labor cost was split 25 percent and 70 percent, respectively, between Jobs #177 and #179 for direct labor. The remainder was indirect labor cost.

26. What amount of overhead is charged to Jobs #177 and #179?
27. What amount of raw material used was allocated to overhead as indirect material?
28. What are the total costs of Jobs #177 and #179?

Problem XII
Sanderson Company manufactures custom-built conveyor systems for factory and commercial operations. Erin Smith is the cost accountant for Sanderson and she is in the process of educating a new employee, Heather Fontenot about the job order costing system that Sanderson uses. (The system is based on normal costs; overhead is applied based on direct labor cost and rounded to the next whole dollar.) Lisa gathers the following job order cost records for July:

Job No.	Direct Materials	Direct Labor	Applied OH	Total Cost
667	P 5,901	P1,730	P 1,990	P 9,621
669	18,312	1,810	2,082	22,204
670	406	500	575	1,481
671	51,405	9,500	10,925	71,830
672	9,615	550	633	10,798

To explain the missing job number, Erin informed Heather that Job #668 had been completed in June. She also told her that Job #667 was the only job in process at the beginning of July. At that time, the job had been assigned P4,300 for direct material and P900 for direct labor. At the end of July, Job #671 had not been completed; all others had. Erin asked Heather several questions to determine whether she understood the job order system.

29. What is the predetermined overhead rate used by Sanderson?
30. What was the total cost of beginning Work-in-process inventory?
31. What was total prime cost incurred for the month of July?
32. What was the cost of goods manufactured for July?

Problem XIII
Perry Company uses a job order costing system and has the following information for the first week of June:

1. Direct labor and direct materials used:

Job No.	Direct Material	Direct Labor Hours
498	P1,500	116
506	960	16
507	415	18
508	345	42
509	652	24
511	308	10
512	835	30

Total	P5,015	256

2. The direct labor wage rate is P4 per hour.
3. The overhead rate is P5 per direct labor hour.
4. Actual overhead costs for the week, P1,480.
5. Jobs completed: Nos. 498, 506, and 509.
6. The factory had no work in process at the beginning of the week.

33. Compute the amount of overhead over- or underapplied during the week.
34. Calculate the cost of the work in process at the end of the week.

Problem XIV

You are asked to bring the following incomplete accounts of Andrepont Printing, Inc. up to date through January 31,2015. Consider the data that appear in the T-accounts as well as additional information given in items (a) through (i).

Andrepont's job order costing system has two direct cost categories (direct material and direct manufacturing labor) and one indirect cost pool (manufacturing overhead, which is allocated using direct manufacturing labor costs).

Materials Inventory Control

12/31/2014 Balance 15,000	

Wages Payable Control

	1/31/2015 Balance 3,000

Work in Process Inventory Control

Manufacturing Department Overhead Control

January 2015 Charges 57,000	

Manufacturing Overhead Control

Finished Goods Inventory Control

12/31/2014 Balance 20,000	

Cost of Goods Sold

Additional Information:

a. Manufacturing department overhead is allocated using a budgeted rate set every December. Management forecasts next year's overhead and next year's direct manufacturing labor costs. The budget for 2015 is P400,000 of direct

manufacturing labor and P600,000 of manufacturing overhead.

b. The only job unfinished on January 31, 2015 is No. 419, on which direct manufacturing labor costs are P2,000 (125 direct manufacturing labor hours) and direct material costs are P8,000.
c. Total material placed into production during January is P90,000.
d. Cost of goods completed during January is P180,000.
e. Material inventory as of January 31, 2015 is P20,000.
f. Finished goods inventory as of January 31, 2015 is P15,000.
g. All plant workers earn the same wage rate. Direct manufacturing labor hours for January totals 2,500. Other labor and supervision totals P10,000.
h. The gross plant payroll on January paydays totals P52,000. Ignore withholdings. All personnel are paid on a weekly basis.
i. All "actual" manufacturing department overhead incurred during January has already been posted.

Compute for:

35. Material purchased during January.
36. Cost of Goods Sold during January.
37. Direct Manufacturing Labor Costs incurred during January.
38. Manufacturing Overhead Allocated during January.
39. Balance, Wages Payable Control, December 31, 2014.
40. Balance, Work in Process Inventory Control, January 31, 2015.
41. Balance, Work in Process Inventory Control, December 31, 2014.
42. Balance, Finished Goods Inventory Control, January 31, 2015.
43. Manufacturing Overhead underapplied or overapplied for January.

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"What you are looking for is not out there... It's in you."
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Answer Key		
True-False		
1. F	24. F	47. T
2. T	25. F	48. T
3. T	26. T	49. F
4. F	27. T	50. F
5. T	28. F	51. T
6. F	29. T	52. F
7. T	30. T	53. F
8. T	31. F	54. T
9. F	32. T	55. T
10. F	33. F	56. T
11. F	34. F	57. T
12. F	35. T	58. F
13. F	36. F	59. T
14. T	37. T	60. F
15. F	38. F	61. T
16. T	39. T	62. F
17. F	40. F	63. F
18. F	41. T	64. T
19. T	42. F	65. F
20. F	43. T	66. T
21. T	44. T	67. F
22. F	45. F	68. T
23. F	46. F	
Multiple Choice		
1. D	20. A	39. A
2. D	21. B	40. D
3. A	22. D	41. B
4. B	23. B	42. A
5. D	24. C	43. C
6. D	25. B	44. D
7. A	26. C	45. D
8. D	27. D	46. C
9. D	28. C	47. D
10. D	29. C	48. C
11. D	30. C	49. D
12. C	31. C	50. A
13. D	32. B	51. D
14. C	33. B	52. B
15. D	34. B	53. A
16. D	35. B	54. B
17. B	36. B	55. B
18. B	37. B	56. D
19. C	38. C	57. B
Problems		
1. 740,000.	15. 1,500	29. 115%/DL Cost

2. 15,000	16. 28,920	30. 6,235
3. J- 101 - P74.50; J- 103 - P295	17. 608,000.	31. 94,529
4. 61,500	18. 2.4762	32. 44,104
5. Underapplied by P 9,000	19. J 705 - 20,352; J 706 - 28,205; J 707-20,381; J 708 - 30,857; J 709 - 20,905	33. Underapplied by 200
6. 4,400	20. 48,557	34. 2,803
7. 677.00	21. 4,200	35. 95,000
8. 3,203	22. 16,100	36. 185,000
9. 57,250	23. 14,000	37. 40,000
10. 31,620	24. 60,500	38. 60,000
11. 93,000	25. overapplied by 2,500	39. 5,000
12. 99,960	26. J 177 - 65,195; J 179 - 35,105	40. 13,000
13. 170,720	27. 5,040	41. 3,000
14. 751	28. J 177 - 111,715; J 179 - 94,045	42. 15,000
		43. 3,000 overapplied