Exercise 8 – 22

1. Predetermined overhead rate =
2. Total manufacturing cost assigned to Job 400 =

$450 + $210 + $9.5 \* 40 = $1,040

1. The company’s applied manufacturing overhead cost is $9.5 \* 146,000 = $1,387,000. Since its actual manufacturing overhead cost is $1,350,000, it has overapplied the manufacturing overhead for the year by $37,000. Also, after closing entry to Cost of Goods Sold which is decreased by same amount of overapplied overhead, net operating income would be increased by it.

Exercise 8 – 23

1. A. predetermined plantwide overhead rate =

B. total manufacturing cost assigned to Job D-70 = $700,000 + $360,000 + 20,000 \* $21.2 = $1,484,000

total manufacturing cost assigned to Job C-200 = $550,000 + $400,000 + 30,000 \* $21.2 = $1,586,000

C. bid price for Job D-70 = $1,484,000 \* 1.5 = $2,226,000

bid price for Job C-200 = $1,586,000 \* 1.5 = $2,379,000

D. cost of goods sold of Delph for the year = $1,484,000 + $1,586,000 = $3,070,000

1. A. predetermined overhead rate for Molding department =

predetermined overhead rate for Fabrication department =

B. total manufacturing cost assigned to Job D-70 for Molding department = $375,000 + $200,000 + $38 \* 14,000 = $1,107,000

total manufacturing cost assigned to Job D-70 for Fabrication department = $325,000 + $160,000 + $10 \* 6,000 = $545,000

total manufacturing cost assigned to Job D-70 = $1,107,000 + $545,000 = $1,652,000

total manufacturing cost assigned to Job C-200 for Molding department = $300,000 + $175,000 + $38 \* 6,000 = $703,000

total manufacturing cost assigned to Job C-200 for Fabrication department = $250,000 + $225,000 + $10 \* 24,000 = $715,000

total manufacturing cost assigned to Job C-200 = $703,000 + $715,000 = $1,418,000

C. bid price for Job D-70 = $1,652,000 \* 1.5 = $2,478,000

bid prince for Job C-200 = $1,418,000 \* 1.5 = $2,127,000

D. cost of goods sold of Delph for the year = $1,652,000 + $1,418,000 = $3,070,000

1. The total manufacturing cost of each computation is same, but cost for each Job is different. When the computation uses plantwide overhead rate, predetermined overhead rate is biased toward Molding department due to huge amount of fixed cost, which has more than three times as much as Fabrication. Thus, you can know from this problem that to make more accurate calculation of overhead cost of each job, you have to use discrete overhead rates.