CH 15 IN CLASS AND STUDY

QUESTIONS

TB TF Qu. 15-01 (Static) Cost accounting systems accumulate...

Cost accounting systems accumulate production costs and then assign them to products and services.

True

False

SOLUTION

TB TF Qu. 15-01 (Static) Cost accounting systems accumulate...

Cost accounting systems accumulate production costs and then assign them to products and services.

**True**

False

QUESTION

TB TF Qu. 15-05 (Static) Two basic types of cost accounting...

Two basic types of cost accounting systems are job order costing and process costing.

True

False

SOLUTION

TB TF Qu. 15-05 (Static) Two basic types of cost accounting...

Two basic types of cost accounting systems are job order costing and process costing.

**True**

False

QUESTION

TB TF Qu. 15-06 (Static) A company that produces a high...

A company that produces a high volume of standardized units would normally use a job order costing system.

True

False

SOLUTION

TB TF Qu. 15-06 (Static) A company that produces a high...

A company that produces a high volume of standardized units would normally use a job order costing system.

True

**False**

 **WOULD USE PRODUCTION COSTING SYSTEM**

QUESTION

TB TF Qu. 15-07 (Static) A company that produces...

A company that produces products that are individually designed to meet the needs of a specific customer would normally use a job order costing system.

True

False

SOLUTION

TB TF Qu. 15-07 (Static) A company that produces...

A company that produces products that are individually designed to meet the needs of a specific customer would normally use a job order costing system.

True

False

QUESTION

TB TF Qu. 15-08 (Static) Job order costing would...

Job order costing would be appropriate for companies that produce custom homes and specialized equipment.

True

False

SOLUTION

TB TF Qu. 15-08 (Static) Job order costing would...

Job order costing would be appropriate for companies that produce custom homes and specialized equipment.

**True**

False

QUESTION

TB TF Qu. 15-09 (Static) Job order costing would be...

Job order costing would be appropriate for companies that produce pencils.

True

False

SOLUTION

TB TF Qu. 15-09 (Static) Job order costing would be...

Job order costing would be appropriate for companies that produce pencils.

True

**False**

QUESTION

TB TF Qu. 15-10 (Static) A job order costing system would be...

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

True

False

SOLUTION

TB TF Qu. 15-10 (Static) A job order costing system would be...

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

True

**False**

QUESTION

TB TF Qu. 15-12 (Static) When a job involves producing...

When a job involves producing more than one unit of a custom product, it is called a job lot.

True

False

SOLUTION

TB TF Qu. 15-12 (Static) When a job involves producing...

When a job involves producing more than one unit of a custom product, it is called a job lot.

**True**

False

QUESTION

TB TF Qu. 15-16 (Static) The total costs on job cost...

The total costs on job cost sheets for jobs that are completed but not yet sold equals the balance in the Work in Process Inventory account.

True

False

SOLUTION

TB TF Qu. 15-16 (Static) The total costs on job cost...

The total costs on job cost sheets for jobs that are completed but not yet sold equals the balance in the Work in Process Inventory account.

True

**False**

 **W/B FINISHED GOODS INVENTORY ACCOUNT**

QUESTION

TB TF Qu. 15-18 (Static) A company applies overhead at a rate...

A company applies overhead at a rate of 150% of direct labor cost. Actual overhead cost for the current period is $1,900,000, and direct labor cost is $1,200,000. As a result, underapplied overhead equals $100,000.

True

False

SOLUTION

TB TF Qu. 15-18 (Static) A company applies overhead at a rate...

A company applies overhead at a rate of 150% of direct labor cost. Actual overhead cost for the current period is $1,900,000, and direct labor cost is $1,200,000. As a result, underapplied overhead equals $100,000.

**True**

False

 **ACTUAL OVER HEAD 1,900,000**

 **APPLIED OVERHEAD**

 **1,200,000 x 1.50 = 1,800,000**

 **UNDER APPLIED 100,000**

QUESTION

TB TF Qu. 15-19 (Static) The Cost of Goods Sold...

The Cost of Goods Sold account balance equals costs on job cost sheets for all jobs that are sold and delivered during a period.

True

False

SOLUTION

TB TF Qu. 15-19 (Static) The Cost of Goods Sold...

The Cost of Goods Sold account balance equals costs on job cost sheets for all jobs that are sold and delivered during a period.

**True**

False

QUESTION

TB TF Qu. 15-30 (Static) Requisitions of indirect materials...

Requisitions of indirect materials are not recorded on job cost sheets.

True

False

SOLUTION

TB TF Qu. 15-30 (Static) Requisitions of indirect materials...

Requisitions of indirect materials are not recorded on job cost sheets.

**True**

False

 THEY ARE RECORDED IN THE FACTORY OVERHEAD ACCOUNT.

 THEN THEY ARE APPLIED TO THE JOB COST SHEETS BY MEANS OF THE

 PREDETERMINED FACTORY OVERHEAD RATE.

QUESTION

TB TF Qu. 15-37 (Static) A company that uses job order costing...

A company that uses job order costing uses $24,000 of raw materials as indirect materials and uses $64,000 of raw materials as direct materials. The journal entry to record the use of indirect materials consists of a debit to Factory Overhead for $24,000 and a credit to Raw Materials Inventory for $24,000.

True

False

SOLUTION

TB TF Qu. 15-37 (Static) A company that uses job order costing...

A company that uses job order costing uses $24,000 of raw materials as indirect materials and uses $64,000 of raw materials as direct materials. The journal entry to record the use of indirect materials consists of a debit to Factory Overhead for $24,000 and a credit to Raw Materials Inventory for $24,000.

**True**

False

 Factory Overhead 24,000

 Raw Materials 24,000

QUESTION

TB TF Qu. 15-39 (Static) A company that uses job order...

A company that uses job order costing uses $24,000 of raw materials as indirect materials and uses $64,000 of raw materials as direct materials. The journal entry to record the use of direct materials consists of a debit to Work in Process Inventory for $64,000 and a credit to Raw Materials Inventory for $64,000.

True

False

SOLUTION

TB TF Qu. 15-39 (Static) A company that uses job order...

A company that uses job order costing uses $24,000 of raw materials as indirect materials and uses $64,000 of raw materials as direct materials. The journal entry to record the use of direct materials consists of a debit to Work in Process Inventory for $64,000 and a credit to Raw Materials Inventory for $64,000.

**True**

False

 WIP Inventory 64,000

 Raw Materials Inventory 64,000

QUESTION

TB TF Qu. 15-41 (Static) A company applies overhead using...

A company applies overhead using direct labor hours as its activity base. If the company estimates total direct labor hours of 40,000 and total overhead costs of $1,200,000 for the year, then the company’s predetermined overhead rate would equal $30 per direct labor hour.

True

False

SOLUTION

TB TF Qu. 15-41 (Static) A company applies overhead using...

A company applies overhead using direct labor hours as its activity base. If the company estimates total direct labor hours of 40,000 and total overhead costs of $1,200,000 for the year, then the company’s predetermined overhead rate would equal $30 per direct labor hour.

**True**

False

 **1,200,000 / 40,000 hours = $30. Per hour**

 **Estimated total overhead / allocation base**

**Predetermined overhead rates are calculated before the start of the accounting period and are therefore based on estimates.**

QUESTION

TB TF Qu. 15-50 (Static) The predetermined overhead rate is...

The predetermined overhead rate is revised many times during the period to compensate for inaccurate estimates previously made.

True

False

SOLUTION

TB TF Qu. 15-50 (Static) The predetermined overhead rate is...

The predetermined overhead rate is revised many times during the period to compensate for inaccurate estimates previously made.

True

False

QUESTION

TB TF Qu. 15-61 (Static) If actual overhead incurred during...

If actual overhead incurred during a period exceeds applied overhead, the difference will be a debit balance in the Factory Overhead account at the end of the period.

True

False

SOLUTION

TB TF Qu. 15-61 (Static) If actual overhead incurred during...

If actual overhead incurred during a period exceeds applied overhead, the difference will be a debit balance in the Factory Overhead account at the end of the period.

**True**

False

QUESTION

TB TF Qu. 15-62 (Static) The Factory Overhead account will have...

The Factory Overhead account will have a credit balance at the end of a period if overhead applied during the period is greater than the overhead incurred.

True

False

SOLUTION

TB TF Qu. 15-62 (Static) The Factory Overhead account will have...

The Factory Overhead account will have a credit balance at the end of a period if overhead applied during the period is greater than the overhead incurred.

**True**

False

QUESTION

TB TF Qu. 15-66 (Static) A company’s Factory Overhead account...

A company’s Factory Overhead account shows total debits of $268,000 and total credits of $292,000 at the end of the year. Overapplied overhead equals $24,000.

True

False

SOLUTION

TB TF Qu. 15-66 (Static) A company’s Factory Overhead account...

A company’s Factory Overhead account shows total debits of $268,000 and total credits of $292,000 at the end of the year. Overapplied overhead equals $24,000.

**True**

False

 And that means … individual jobs have been charged TOO MUCH overhead and the cost of goods sold is too high. (NOTE: this is to the extent that work in process has moved all the way through the system and the units have been sold). If the amount is immaterial then the entry is:

 And the adjusting entry would be

 Dr. Factory Overhead 24,000

 Cr Cost of Goods sold 24,000

QUESTION

TB TF Qu. 15-72 (Static) The schedule of cost of goods...

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

True

False

SOLUTION

TB TF Qu. 15-72 (Static) The schedule of cost of goods...

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

True

**False**

 **REMEMBER – FACTORY OVERHEAD IS APPLIED BASED ON ESTIMATES!**

QUESTION

TB MC Qu. 15-75 (Static) Cost accounting systems are used to:

Cost accounting systems are used to:

Accumulate production and period costs and assign them to products or services.

Accumulate production costs and assign them to products or services.

Accumulate period cost and assign them to products or services.

Accumulate production costs and assign them to Raw Materials Inventory.

Analyze efficiency and effectiveness of inventory management.

SOLUTION

TB MC Qu. 15-75 (Static) Cost accounting systems are used to:

Cost accounting systems are used to:

Accumulate production and period costs and assign them to products or services.

**Accumulate production costs and assign them to products or services.**

Accumulate period cost and assign them to products or services.

Accumulate production costs and assign them to Raw Materials Inventory.

Analyze efficiency and effectiveness of inventory management.

QUESTION

TB MC Qu. 15-81 (Static) Production activities for a customized...

Production activities for a customized product represent a(n):

Operation.

Job.

Unit.

Pool.

Process.

SOLUTION

TB MC Qu. 15-81 (Static) Production activities for a customized...

Production activities for a customized product represent a(n):

Operation.

**Job.**

Unit.

Pool.

Process.

QUESTION;

TB MC Qu. 15-87 (Static) The target cost for a job using job...

The target cost for a job using job costing is calculated as:

Direct costs + desired profit

Direct costs − desired profit

Expected selling price − direct costs

Expected selling price − desired profit

Expected selling price + desired profit

SOLUTION

TB MC Qu. 15-87 (Static) The target cost for a job using job...

The **target cost for a job using** job costing is calculated as:

Direct costs + desired profit

Direct costs − desired profit

Expected selling price − direct costs

**Expected selling price − desired profit**

Expected selling price + desired profit

  **THUS, EXPECTED SELLING PRICE – TARGET COST = DESIRED PROFIT**

QUESTION

TB MC Qu. 15-88 (Static) A company makes bikes from recycled...

A company makes bikes from recycled metal. For a recent job lot of 200 bikes, the company incurred direct materials costs of $6,000 and direct labor costs of $2,000. Factory overhead applied to this job is $9,000. What is the cost per bike?

$85.

$75.

$55.

$70.

$45.

SOLUTION

TB MC Qu. 15-88 (Static) A company makes bikes from recycled...

A company makes bikes from recycled metal. For a recent job lot of 200 bikes, the company incurred direct materials costs of $6,000 and direct labor costs of $2,000. Factory overhead applied to this job is $9,000. What is the cost per bike?

$85.

$75.

$55.

$70.

$45.

**Cost per bike = $17,000 / 200 units = $85 per bike**

 ( 6,000 + 2,000 + 9,000) / 200 = $85.00 PER BIKE

QUESTION TB MC Qu. 15-92 (Algo) A company that uses job order...

A company that uses job order costing reports the following information. Overhead is applied at the rate of 60% of direct materials. The company has no beginning Work in Process or Finished Goods inventories. Jobs 1 and 3 are not finished by the end of March, and Job 2 is finished but not sold by the end of March.

|  | **Job 1** | **Job 2** | **Job 3** |
| --- | --- | --- | --- |
| **Direct materials used** | $ 11,000 | $ 15,000 | $ 4,000 |
| **Direct labor used** | $ 19,000 | $ 9,000 | $ 7,000 |

Determine the total dollar amount of Work in Process Inventory at the end of March.

$50,000.

$40,600.

$32,400.

$82,400.

$7,400.

SOLUTION TB MC Qu. 15-92 (Algo) A company that uses job order...

A company that uses job order costing reports the following information. Overhead is applied at the rate of 60% of direct materials. The company has no beginning Work in Process or Finished Goods inventories. Jobs 1 and 3 are not finished by the end of March, and Job 2 is finished but not sold by the end of March.

|  | **Job 1** | **Job 2** | **Job 3** |
| --- | --- | --- | --- |
| **Direct materials used** | $ 11,000 | $ 15,000 | $ 4,000 |
| **Direct labor used** | $ 19,000 | $ 9,000 | $ 7,000 |

Determine the total dollar amount of Work in Process Inventory at the end of March.

**$50,000.**

$40,600.

$32,400.

$82,400.

$7,400.

|  |  |
| --- | --- |
| **Work in Process Inventory** |   |
| **Job 1: ($11,000 + $19,000 + $6,600)** **(NOTE APPLD OH .60 x 11,000 =6,600)** | $ 36,600 |
| **Job 3: ($4,000 + $7,000 + $2,400)** **(NOTE APPLD OH: .6 x 4,000 =2,400)** | 13,400 |
|  | $ 50,000 |

QUESTION

TB MC Qu. 15-93 (Algo) Job A3B was ordered by a customer on...

Job A3B was ordered by a customer on September 25. During the month of September, Jaycee Corporation used $2,800 of direct materials and used $4,300 of direct labor. The job was not finished in September. An additional $3,300 of direct materials and $7,100 of direct labor were needed to finish the job in October. The company applies overhead at the end of each month at a rate of 150% of the direct labor cost incurred. What is the balance in the Work in Process account at the end of September relative to Job A3B?

$10,400

$13,550

$6,100

$11,400

$7,100

SOLUTION: TB MC Qu. 15-93 (Algo) Job A3B was ordered by a customer on...

Job A3B was ordered by a customer on September 25. **During the month of September**, Jaycee Corporation used $**2,800 of direct** materials and used $**4,300 of direct labor**. The job was not finished in September. An additional $3,300 of direct materials and $7,100 of direct labor were needed to finish the job in October. The company **applies overhead at the end of each month at a rate of 150% of the direct labor cost incurred**. What is the balance in the Work in Process account at the **end of September relative to Job A3B**?

$10,400

**$13,550**

$6,100

$11,400

$7,100

**DM $2,800 + DL $4,300 + OH ($4,300 × 150%) = WIP for Job A3B $13,550
Work in process contains the sum of the costs on job cost sheets for jobs that are not yet complete.**

QUESTION

TB MC Qu. 15-94 (Algo) Job A3B was ordered by a customer on...

Job A3B was ordered by a customer on September 25. During the month of September, Jaycee Corporation used $1,800 of direct materials and used $3,300 of direct labor. The job was not finished in September. An additional $2,300 of direct materials and $5,800 of direct labor were needed to finish the job in October. The company applies overhead at the end of each month at a rate of 200% of the direct labor cost incurred. What is the total cost of the job when it is completed in October?

$13,200

$19,700

$31,400

$23,000

$27,100

SOLUTION

TB MC Qu. 15-94 (Algo) Job A3B was ordered by a customer on...

Job A3B was ordered by a customer on September 25. During the month of September, Jaycee Corporation used $**1,800 of direct materials** and used $**3,300 of direct labor**. The job was not finished in September. An **additional $2,300 of direct materials** and **$5,800 of direct labor** were needed to finish the job in October. The company **applies overhead** at the end of each month at a rate of **200% of the direct labor cost incurred**. What is the total cost of the job when it is completed in **October?**

$13,200

$19,700

**$31,400**

$23,000

$27,100

**September job costs: DM $1,800 + DL $3,300 + OH ($3,300 × 200%) = $11,700
October job costs: DM $2,300 + DL $5,800 + OH ($5,800 × 200%) = $19,700
Total costs: September $11,700 + October $19,700 = $31,400
Work in process contains the sum of the costs on job cost sheets for jobs that are not yet complete.**

QUESTION: TB MC Qu. 15-99 (Algo) The Work in Process Inventory account...

The Work in Process Inventory account of a manufacturing company has a $6,465 debit balance. The company applies overhead using direct labor cost. The cost sheet of the only job still in process shows direct material cost of $2,500 and direct labor cost of $1,300. Therefore, the company's predetermined overhead rate is:

107% of direct labor cost.

205% of direct labor cost.

49% of direct labor cost.

52% of direct labor cost.

192% of direct labor cost.

SOLUTION: TB MC Qu. 15-99 (Algo) The Work in Process Inventory account... The Work in Process Inventory account of a manufacturing company has a $6,465 debit balance. The company applies overhead using direct labor cost. The cost sheet of the only job still in process shows direct material cost of $2,500 and **direct labor cost of $1,300**. **Therefore, the company's predetermined overhead rate is:**

107% of direct labor cost.

**205% of direct labor cost.**

49% of direct labor cost.

52% of direct labor cost.

192% of direct labor cost.

 **WIP = DM + DL + OH**

**THEREFORE:
 $6,465 = $2,500 + $1,300 + OH(UNKNOWN)**

 **6465 -2500 – 1300 = 2665
 OH = $2,665;**

 **DL X PDOH rate = OH APPLIED**

 **1300 X PDOH rate = 2,665**

 **PDOH RATE = 2665 /1300**

 **205% = 2665 / 1300**

**OH rate = $2,665/$1,300 = 205%**

QUESTION: TB MC Qu. 15-103 (Algo) The Work in Process Inventory...

The Work in Process Inventory account for DG Manufacturing follows. Compute the cost of jobs completed and transferred to Finished Goods Inventory.

|  |
| --- |
| **Work in Process Inventory** |
| **Debit** | **Credit** |
| Beginning WIP | 4,600 |   |   |
| Direct materials | 47,200 |   |   |
| Direct labor | 29,700 |   |   |
| Applied overhead | 15,900 |   |   |
| **To finished goods** |  |  | **?** |
| Ending WIP | 9,100 |   |   |

The cost of jobs transferred to finished goods is:

$95,600.

$106,500.

$92,800.

$88,300.

$97,400.

SOLUTION TB MC Qu. 15-103 (Algo) The Work in Process Inventory...

The Work in Process Inventory account for DG Manufacturing follows. Compute the cost of jobs completed and transferred to Finished Goods Inventory.

|  |
| --- |
| **Work in Process Inventory** |
| **Debit** | **Credit** |
| Beginning WIP | 4,600 |   |   |
| Direct materials | 47,200 |   |   |
| Direct labor | 29,700 |   |   |
| Applied overhead | 15,900 |   |   |
| To finished goods |   |   | ? |
| Ending WIP | 9,100 |   |   |

The cost of jobs transferred to finished goods is:

$95,600.

$106,500.

$92,800.

**$88,300.**

$97,400.

**Beginning WIP + Direct Materials + Direct Labor + Applied OH − Finished Goods = Ending WIP

$4,600 + $47,200 + $29,700 + $15,900 − FG = $9,100**

**4600 + 47200 + 29700 + 15900 - 9100 = 88,300

 FG = $88,300**

QUESTION: TB MC Qu. 15-105 (Algo) At the beginning of the...

At the beginning of the year, a company estimates total direct materials costs of $1,980,000 and total overhead costs of $2,930,400. If the company uses direct materials costs as its activity base to apply overhead, what is the predetermined overhead rate it should use during the year?

100%.

148%.

68%.

48%.

32%.

Solution; TB MC Qu. 15-105 (Algo) At the beginning of the...

At the beginning of the year, a company estimates total direct materials costs of $1,980,000 and total overhead costs of $2,930,400. If the company uses direct materials costs as its activity base to apply overhead, what is the predetermined overhead rate it should use during the year?

100%.

**148%.**

68%.

48%.

32%.

**Predetermined Overhead Rate = Estimated overhead costs / Estimated direct materials
Predetermined Overhead Rate = $2,930,400 / $1,980,000
Predetermined Overhead Rate = 148%**

QUESTION

TB MC Qu. 15-116 (Algo) CWN Company uses a job order costing...

CWN Company uses a job order costing system and last period incurred $81,000 of actual overhead and $100,000 of direct labor. CWN estimates that its overhead next period will be $74,000. It also expects to incur $100,000 of direct labor cost. If CWN bases applied overhead on direct labor cost, its predetermined overhead rate for the next period should be:

74%.

81%.

109%.

123%.

135%.

SOLUTION

TB MC Qu. 15-116 (Algo) CWN Company uses a job order costing...

CWN Company uses a job order costing system and last period incurred $81,000 of actual overhead and $100,000 of direct labor. CWN estimates that its overhead next period will be $74,000. It also expects to incur $100,000 of direct labor cost. If CWN bases applied overhead on direct labor cost, its predetermined overhead rate for the next period should be:

**74%**.

81%.

109%.

123%.

135%.

**OH rate = $74,000/$100,000 = 74%**

QUESTION

TB MC Qu. 15-117 (Algo) Cosi Company uses a job order costing...

Cosi Company uses a job order costing system and allocates its overhead on the basis of direct labor costs. Cosi expects to incur $870,000 of overhead during the next period, and expects to use 57,000 labor hours at a cost of $10.00 per hour. What is Cosi Company's predetermined overhead rate?

6.55%.

65.5%.

153%.

1526%.

70%.

SOLUTION:

TB MC Qu. 15-117 (Algo) Cosi Company uses a job order costing...

Cosi Company uses a job order costing system and allocates its overhead on the basis of direct labor costs. Cosi expects to incur $870,000 of overhead during the next period, and expects to use 57,000 labor hours at a cost of $10.00 per hour. What is Cosi Company's predetermined overhead rate?

6.55%.

65.5%.

**153%.**

1526%.

70%.

**Total DL Cost = 57,000 hours × $10/hour = $570,000
OH rate = $870,000/$570,000 = 153%.**

QUESTION

TB MC Qu. 15-119 (Algo) Mesa Corporation allocates overhead...

Mesa Corporation allocates overhead to production on the basis of direct labor costs. Mesa’s total estimated overhead is $870,000 and estimated direct labor is $290,000. Determine the amount of overhead applied to a job which used $33,000 of direct labor.

$11,000.

$33,000.

$132,000.

$99,000.

$165,000.

SOLUTION

TB MC Qu. 15-119 (Algo) Mesa Corporation allocates overhead...

Mesa Corporation allocates overhead to production on the basis of direct labor costs. Mesa’s total estimated overhead is $870,000 and estimated direct labor is $290,000. Determine the amount of overhead applied to a job which used $33,000 of direct labor.

$11,000.

$33,000.

$132,000.

**$99,000.**

$165,000.

**OH rate = $870,000/$290,000 = 300%
OH allocated = 300% × $33,000 = $99,000**

QUESTION

TB MC Qu. 15-121 (Algo) Oxford Company uses a job order...

Oxford Company uses a job order costing system. In the last month, the system accumulated labor time tickets totaling $25,700 for direct labor and $5,400 for indirect labor. The journal entry to record indirect labor consists of a:

Debit Factory Overhead $5,400; credit Factory Wages Payable $5,400.

Debit Factory Overhead $5,400; credit Work in Process Inventory $5,400.

Debit Work in Process Inventory $5,400; credit Factory Wages Payable $5,400.

Debit Work in Process Inventory $25,700; credit Factory Wages Payable $25,700.

Debit Factory Wages Payable $5,400; credit Cash $5,400.

SOLUTION

TB MC Qu. 15-121 (Algo) Oxford Company uses a job order...

Oxford Company uses a job order costing system. In the last month, the system accumulated labor time tickets totaling $25,700 for direct labor and $5,400 for indirect labor. The journal entry to record indirect labor consists of a:

**Debit Factory Overhead $5,400; credit Factory Wages Payable $5,400.**

Debit Factory Overhead $5,400; credit Work in Process Inventory $5,400.

Debit Work in Process Inventory $5,400; credit Factory Wages Payable $5,400.

Debit Work in Process Inventory $25,700; credit Factory Wages Payable $25,700.

Debit Factory Wages Payable $5,400; credit Cash $5,400.

TB MC Qu. 15-122 (Algo) If one unit of Product Z2 used...

If one unit of Product Z2 used $3.40 of direct materials and $3.90 of direct labor, sold for $13.00, and was assigned overhead at the rate of 39% of direct labor costs, how much gross profit was realized from this sale? **(Round your intermediate calculations and final answer to two decimal places.)**

$5.70.

$4.18.

$7.30.

$1.52.

$13.00.

SOLUTION

TB MC Qu. 15-122 (Algo) If one unit of Product Z2 used...

If one unit of Product Z2 used $3.40 of direct materials and $3.90 of direct labor, sold for $13.00, and was assigned overhead at the rate of 39% of direct labor costs, how much gross profit was realized from this sale? **(Round your intermediate calculations and final answer to two decimal places.)**

$5.70.

**$4.18.**

$7.30.

$1.52.

$13.00.

|  |  |  |  |
| --- | --- | --- | --- |
| **Cost:** |  |  |  |
| **DM** | **$ 3.40** | **Selling Price** | **$ 13.00** |
| **DL** | **3.90** | **Cost** | **8.82** |
| **OH ($3.90 × 39%)** | **1.52** | **Gross Profit** | **$ 4.18** |
| **Total Cost** | **$ 8.82** |  |  |

QUESTION: TB MC Qu. 15-123 (Algo) The ending inventory of finished...

The ending inventory of finished goods has a total cost of $11,700 and consists of 700 units. If the overhead applied to these goods is $3,864, and the overhead rate is 69% of direct labor, how much direct materials cost was incurred in producing these units?

$11,700.

$5,062.

$5,600.

$7,836.

$2,236.

SOLUTION:

TB MC Qu. 15-123 (Algo) The ending inventory of finished...

The ending inventory of finished goods has a total cost of $11,700 and consists of 700 units. If the overhead applied to these goods is $3,864, and the overhead rate is 69% of direct labor, how much direct materials cost was incurred in producing these units?

$11,700.

$5,062.

$5,600.

$7,836.

**$2,236.**

**DM + DL + OH = Total cost**

 **DM + ($3,864/0.69) + $3,864 = $11,700**

**DM + DL + 3,864 = 11700**

 **OH= .69 x DL = 3864 THEREFORE DL = 3864/ .69 = 5600**

**DM + 5600 + 3864 = 11700**

**DM = 11700 -5600 -3864**

**DM = 2236**

QUESTION:

TB MC Qu. 15-130 (Algo) Morris Company applies overhead based...

Morris Company applies overhead based on direct labor costs. For the current year, Morris Company estimated total overhead costs to be $480,000, and direct labor costs to be $2,400,000. Actual overhead costs for the year totaled $440,000, and actual direct labor costs totaled $2,000,000. At year-end, the balance in the Factory Overhead account is a:

$440,000 Debit balance.

$400,000 Debit balance.

$40,000 Debit balance.

$480,000 Credit balance.

$40,000 Credit balance.

**SOLUTION:**

TB MC Qu. 15-130 (Algo) Morris Company applies overhead based...

Morris Company applies overhead based on direct labor costs. For the current year, Morris Company estimated total overhead costs to be $480,000, and direct labor costs to be $2,400,000. Actual overhead costs for the year totaled $440,000, and actual direct labor costs totaled $2,000,000. At year-end, the balance in the Factory Overhead account is a:

$440,000 Debit balance.

$400,000 Debit balance.

**$40,000 Debit balance.**

$480,000 Credit balance.

$40,000 Credit balance.

**Predetermined overhead rate = $480,000 estimated overhead cost / $2,400,000 estimated direct labor cost = 20% RATE**

**Overhead incurred, $440,000 − Overhead applied (2,000,000 × 20%)
  = 440,000 - 400,000**

|  |
| --- |
| **Factory Overhead** |
| **Debit** | **Credit** |
| **440,000** | **400,000** |
| **BAL 40,000** |  |

**END – NEXT TO CONTINUE 151 OF 196**