

Chapter 2: Costing Systems: Job Order Costing

Student: _____

1. A job order costing system measures costs of each processes using an inventory account for each.
True False

2. The computations for costs to be transferred out of Work in Process Inventory differ if the production process involves multiple departments rather than a single department.
True False

3. Like a job order costing system, a process costing system is restricted to one Work in Process Inventory account.
True False

4. Identical products are produced in a continuous flow production process.
True False

5. In a job order costing system, costs are traced to a specific job order.
True False

6. An advertising company would probably use a process costing system.
True False

7. Companies that produce custom-made products usually use a process costing system.
True False

8. Job order costing is used by companies that make unique or special-order products.
True False

9. In a process costing system, product costs are traced to work cells.

True False

10. A job order costing system is used by companies that manufacture large amounts of similar products.

True False

11. A typical operations costing system for a manufacturer incorporates parts of both job order costing and process costing.

True False

12. The production process determines the product costing system needed.

True False

13. A process costing system first assigns the costs to the products manufactured by the departments, and then traces the costs of direct materials, direct labor, and overhead to departments.

True False

14. A company using the periodic inventory system records cost of goods sold when products are sold.

True False

15. The purchasing process begins with a request for indirect materials, whereas the manufacturing process begins with a request for direct materials.

True False

16. Costs for individual jobs are maintained on material cost cards when job order costing is in use.

True False

17. Job order cost cards for incomplete jobs make up the ending balance of the Finished Goods Inventory account.

True False

18. When a job has been completed, all of the costs assigned to that job are moved to the Cost of Goods Sold account.

True False

19. In a job order costing system, when overhead costs are applied, they decrease the Work in Process Inventory account.

True False

20. In a job order costing system, indirect labor costs incurred are debited to the Overhead account.

True False

21. In a job order costing system, the transfer of overhead costs to the Work in Process Inventory account must take place before product unit costs can be computed.

True False

22. In a job order costing system, when indirect materials are used, the Overhead account is increased.

True False

23. In a job order costing system, indirect labor costs are recorded by increasing the Payroll Payable account and increasing the Overhead account.

True False

24. In a job order costing system, when the goods are sold, the Cost of Goods Sold account is increased, and the Finished Goods Inventory account is decreased for the selling price of the goods sold.

True False

25. The ending balance in the Work in Process Inventory account equals the ending Overhead balance.

True False

26. A zero balance in Work in Process Inventory at the start of the period means all previously completed products have been shipped.

True False

27. To prepare financial statements at the end of the accounting period, the actual overhead cost for the period and the estimated overhead that was applied during the period must be reconciled in a job order costing system.

True False

28. If applied overhead exceeds actual overhead, cost of goods sold must be increased by the amount of the overapplied overhead in a job order costing system.

True False

29. Job order cost cards and cost flows through the inventory accounts form the core of a job order costing system.

True False

30. Regardless of the cost accounting system used, when the products are completed, they are transferred from work in process inventory to finished goods inventory.

True False

31. Job costs in a service organization end up in the Finished Goods Inventory account when a job is completed.

True False

32. In cost-plus contracts, a predetermined amount of profit is added to the cost of the contract.

True False

33. In a service organization using a job order costing system, actual overhead will be the same as applied overhead.

True False

34. The ending balance of Work in Process account is compared with the total costs shown on the job order cost cards to ensure correctness.

True False

35. In a job order costing system, a separate job order cost card is used for each individual job.

True False

36. After a job is completed, the product's unit cost can be determined from the job order cost card.

True False

37. The process of assigning a collection of indirect costs is termed as cost pooling.

True False

38. Predetermined overhead rate is calculated by dividing actual overhead costs by actual cost driver activity.

True False

39. Overhead applied is calculated by multiplying predetermined activity rate and actual cost driver activity.

True False

40. If the actual overhead costs are more than applied overhead costs, the difference represents overapplied overhead costs.

True False

41. When planning, managers allocate overhead costs using either the traditional or ABC approach.

True False

42. Managers' knowledge on unit cost helps in setting reasonable selling prices for products.

True False

43. Job estimates must be compared with actuals for evaluating performance.

True False

44. Service organizations use unit costs of services to determine inventory balances.

True False

45. Financial statements referred by external stakeholders compare actual unit costs with targeted unit costs.

True False

46. Managers prepare financial statements to communicate the company's performance to its external users.

True False

47. The type of product costing system used by a company is dictated by the

- A. cost flow assumptions made by the company.
- B. production process of the product.
- C. inventory system used by the company.
- D. selling price of the product.

48. Which of the following represents the product costs on the income statement?

- A. Cost of goods sold
- B. Sales revenue
- C. Sales commissions
- D. None of these

49. Which of the following is a document prepared every period for each process?

- A. Process cost card
- B. Process cost report
- C. Process cost control sheet
- D. Process cost recognition card

50. In which of the following situations should a company use process costing rather than job order costing?

- A. If the product cost is accumulated in a single Work in Process Inventory account
- B. If the product is produced based on individual customer specifications
- C. If the product is composed of mass-produced homogeneous units
- D. If the product goes through a single stage of production

51. Which of the following firms would most likely use a process costing system?

- A. Firm providing legal services
- B. Firm manufacturing papers
- C. Firm providing advertising services
- D. Firm printing wedding invitations

52. Which of the following characteristics applies to process costing, but does not apply to job order costing?

- A. The use of single Work in Process accounts
- B. The use of equivalent units
- C. Separate, identifiable jobs
- D. The use of predetermined overhead rates

53. Which of the following is *not* an objective of product costing systems?

- A. To provide information for cost planning
- B. To assist in the preparation of the income statement
- C. To determine the taxable profits
- D. To provide information for product pricing

54. Which of the following is a characteristic of a job order costing system?

- A. Uses several Work in Process Inventory accounts
- B. Uses job cost cards to keep track of each job in process
- C. Assigns costs to specific processes
- D. Recognizes cost of materials when products are sold

55. Which of the following products would probably use a job order costing system?

- A. Pens
- B. Instant coffee
- C. Computer monitors
- D. Advertisements

56. Process costing is applicable to production operations that

- A. utilize several processes, departments, or work cells in a series.
- B. do not assign overhead costs to operations.
- C. produce products that are made to order.
- D. produce unique products.

57. Which of the following accurately describes a difference between job order and process costing systems?

- A. In job order costing systems, overhead costs are treated as product costs, whereas in process costing systems, overhead costs are treated as period costs.
- B. Job order costing systems do not assign costs to production, whereas process costing systems do.
- C. In job order costing systems, costs are traced to a specific job order, whereas in process costing systems, costs are traced to work cells and then assigned to products manufactured.
- D. In a job order costing system, selling costs are treated as period costs, whereas they are treated as product costs in a process costing system.

58. A job order costing system measures product costs

- A. using process cost reports.
- B. in several Work in Process Inventory account.
- C. with regard to the process that created the cost.
- D. for each completed unit.

59. Which of the following is *not* a characteristic of a process costing system?

- A. A specific time period is used
- B. Several Work in Process Inventory accounts are used
- C. Product costs are grouped by processes, departments, or work cells
- D. Customized products are manufactured

60. Which of the following products would probably be produced by a company using a process costing system?

- A. House
- B. Wedding gowns
- C. Bags
- D. Movie

61. Which of the following entities would probably use a process costing system?

- A. An oil refinery
- B. A yacht builder
- C. A custom furniture company
- D. A custom jewelry manufacturer

62. If the difference between overhead applied and actual overhead is insignificant, it is usually written off to

- A. Cost of Goods Sold.
- B. Work in Process Inventory.
- C. Finished Goods Inventory.
- D. Materials Inventory.

63. The applied overhead of a job is more than the actual overhead and it is considered immaterial by the company. An entry to record this would involve a

- A. debit to the Materials Inventory account.
- B. credit to the Overhead account.
- C. credit to the Cost of Goods Sold account.
- D. debit to the Work in Process Inventory account.

64. Applied overhead of a company exceeds actual overhead when the
- A. Overhead account has a credit balance.
 - B. journal entry to account for the difference involves a debit to Cost of Goods Sold.
 - C. Overhead account has a debit balance.
 - D. company has overspent in the overhead cost area.
65. If there is a credit balance in the Payroll Payable at the end of the accounting period, it represents
- A. the amount by which applied payroll was greater than actual payroll.
 - B. the amount by which actual payroll was greater than applied payroll.
 - C. labor costs which have not been paid.
 - D. an amount that should be charged to Cost of Goods Sold.
66. When Smith Builder's Designer House #201 is completed, Smith's
- A. Work in Process Inventory is increased.
 - B. total assets are increased.
 - C. Work in Process Inventory is decreased.
 - D. total assets are decreased.
67. The total of the dollar amounts on the job order cost cards that have *not* been completed would be equal to the
- A. cost of goods completed.
 - B. balance in the Finished Goods Inventory account.
 - C. cost of goods sold.
 - D. balance in the Work in Process Inventory account.
68. Costs assigned to the building of a ship should appear on the income statement when
- A. the ship is completed.
 - B. the ship is sold.
 - C. the purchase order to manufacture the ship is received.
 - D. cash is collected for the sale of the ship.
69. The basic document for keeping track of all costs in a job order costing system is a
- A. job order cost card.
 - B. labor time card.
 - C. process cost report.
 - D. materials requisition form.

70. Under a job order costing system, the dollar amount of the entry to record the transfer of goods from Work in Process Inventory to Finished Goods Inventory is the total of the costs charged to all jobs

- A. started during the period.
- B. completed and sold during the period.
- C. completed during the period.
- D. started and completed during the period.

71. The Work in Process Inventory account in a job order costing system consists of

- A. time conversion cards.
- B. job conversion cards.
- C. job order cost cards.
- D. product cost cards.

72. When direct materials are issued from inventory to production under a job order costing system, an increase is recorded in the

- A. Overhead account.
- B. Work in Process Inventory account.
- C. Materials Inventory account.
- D. Finished Goods Inventory account.

73. The following information is available at the end of May:

Balance in work in process on May 1	\$141,800	
Direct materials costs for May	174,500	
Direct labor costs for May	162,500	
Overhead applied at rate of 140% of direct labor dollars		
Jobs completed during May:		
Job 84	\$198,780	
Job 85	102,520	
Job 86	119,450	
Job 87	93,150	
Job 88 was not complete at the end of May.		

If \$72,400 of materials were charged to Job 88's job cost card, how much overhead was applied to Job 88?

- A. \$35,100
- B. \$70,000
- C. \$72,400
- D. \$120,000

74. The balance in the Work in Process Inventory account on October 1 was \$14,000, and the balance on October 31 was \$85,400. Costs incurred during the month were as follows: direct materials, \$55,820; direct labor, \$58,420; and overhead, \$40,000. What amount was transferred to the Finished Goods Inventory account during October?

- A. \$82,840
- B. \$154,240
- C. \$239,640
- D. \$140,240

75. Unit costs for each job are computed by dividing

- A. estimated total costs by planned units to be produced.
- B. actual costs by actual units sold.
- C. cost of direct materials, direct labor, and overhead by number of units produced.
- D. estimated total costs by actual units sold.

76. The _____ provides the most direct means of calculating unit costs for a job.

- A. job order cost card
- B. Finished Goods Inventory account
- C. general ledger
- D. Materials Inventory account

77. The following information is available at the end of the period for the completed Job 73:

Beginning balance	\$17,000
Direct materials	30,600
Direct labor	24,500
Overhead applied	41,700
Total number of units produced	35,000
Total number of units sold	28,500

What is the unit cost for Job 73?

- A. \$2.55
- B. \$3.19
- C. \$1.50
- D. \$3.92

78. The balances on the job cost sheets of uncompleted jobs will be equal to the balance in the

- A. Finished Goods Inventory account.
- B. Cost of Goods Sold account.
- C. Work in Process Inventory account.
- D. Overhead account.

79. Applied overhead is less than actual overhead incurred during the year. Which of the following journal entries is made to close the Overhead account if this difference is immaterial?

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

80. Which of the following is the entry to record indirect labor costs incurred?

- A. Work in Process Inventory
 Overhead
- B. Overhead
 Work in Process Inventory
- C. Overhead
 Payroll Payable
- D. Payroll Payable
 Overhead

81. In a job order costing system, the purchase of materials on account should be recorded as follows:

- A. Materials Inventory
 Work in Process Inventory
- B. Materials Inventory
 Accounts Payable
- C. Work in Process Inventory
 Accounts Payable
- D. Accounts Payable
 Materials Inventory

82. Service organizations incur little or no cost for

- A. services.
- B. overhead.
- C. materials.
- D. labor.

83. Cardsheet Company

The following partially completed T accounts summarize the transactions of Cardsheet Company for last year:

Materials Inventory			
Beg Bal	1,000	18,000	(2)
(1)	17,000		
Work in Process Inventory			
Beg Bal	9,000	62,300	(7)
(2)	11,000		
(4)	15,000		
(6)	30,000		
Overhead			
(2)	7,000	30,000	(6)
(3)	14,000		
(4)	7,000		
(5)	3,000		
Cost of Goods Sold			
Accounts Payable			
		17,000	(1)
		3,000	(5)
Finished Goods Inventory			
Beg Bal	16,000		
(7)	62,300		
End Bal	13,000		
Payroll Payable			
		5,000	Beg Bal
		31,000	(4)
Office Salaries Expense			
(4)	9,000		
Accumulated Depreciation (Factory)			
		80,000	Beg Bal
		14,000	(3)

The indirect labor cost is

- A. \$7,000.
- B. \$3,000.
- C. \$14,000.
- D. \$30,000.

84. Cardsheet Company

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	Materials Inventory			
	Beg Bal	1,000	18,000	(2)
	(1)	17,000		
	Work in Process Inventory			
	Beg Bal	9,000	62,300	(7)
	(2)	11,000		
	(4)	15,000		
	(6)	30,000		
	Overhead			
	(2)	7,000	30,000	(6)
	(3)	14,000		
	(4)	7,000		
	(5)	3,000		
	Cost of Goods Sold			
	Accounts Payable			
			17,000	(1)
			3,000	(5)
	Finished Goods Inventory			
	Beg Bal	16,000		
	(7)	62,300		
	End Bal	13,000		
	Payroll Payable			
			5,000	Beg Bal
			31,000	(4)
	Office Salaries Expense			
	(4)	9,000		
	Accumulated Depreciation (Factory)			
			80,000	Beg Bal
			14,000	(3)

The cost of goods manufactured is

- A. \$62,300
- B. \$64,000
- C. \$18,000
- D. \$1,700

85. Cardsheet Company

The following partially completed T accounts summarize the transactions of Cardsheet Company for last year:

	Materials Inventory			
	Beg Bal	1,000	18,000	(2)
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	Work in Process Inventory			
	Beg Bal	9,000	62,300	(7)
	(2)	11,000		
	(4)	15,000		
	(6)	30,000		
	Overhead			
	(2)	7,000	30,000	(6)
	(3)	14,000		
	(4)	7,000		
	(5)	3,000		
	Cost of Goods Sold			
	Accounts Payable			
			17,000	(1)
			3,000	(5)
	Finished Goods Inventory			
	Beg Bal	16,000		
	(7)	62,300		
	End Bal	13,000		
	Payroll Payable			
			5,000	Beg Bal
			31,000	(4)
	Office Salaries Expense			
	(4)	9,000		
	Accumulated Depreciation (Factory)			
			80,000	Beg Bal
			14,000	(3)

The cost of goods sold (after adjusting for under- or overapplied overhead) is

- A. \$92,300.
- B. \$60,300.
- C. \$34,300.
- D. \$66,300.

86. Cardsheet Company

The following partially completed T accounts summarize the transactions of Cardsheet Company for last year:

	Materials Inventory			
	Beg Bal	1,000	18,000	(2)
	(1)	17,000		
	Work in Process Inventory			
	Beg Bal	9,000	62,300	(7)
	(2)	11,000		
	(4)	15,000		
	(6)	30,000		
	Overhead			
	(2)	7,000	30,000	(6)
	(3)	14,000		
	(4)	7,000		
	(5)	3,000		
	Cost of Goods Sold			
	Accounts Payable			
			17,000	(1)
			3,000	(5)
	Finished Goods Inventory			
	Beg Bal	16,000		
	(7)	62,300		
	End Bal	13,000		
	Payroll Payable			
			5,000	Beg Bal
			31,000	(4)
	Office Salaries Expense			
	(4)	9,000		
	Accumulated Depreciation (Factory)			
			80,000	Beg Bal
			14,000	(3)

The applied overhead is

- A. \$31,000.
- B. \$30,000.
- C. \$18,000.
- D. \$62,300.

87. Cardsheet Company

The following partially completed T accounts summarize the transactions of Cardsheet Company for last year:

	Materials Inventory			
	Beg Bal	1,000	18,000	(2)
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	Beg Bal	9,000	62,300	(7)
	(2)	11,000		
	(4)	15,000		
	(6)	30,000		
	Overhead			
	(2)	7,000	30,000	(6)
	(3)	14,000		
	(4)	7,000		
	(5)	3,000		
	Cost of Goods Sold			
	Accounts Payable			
			17,000	(1)
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	Finished Goods Inventory			
	Beg Bal	16,000		
	(7)	62,300		
	End Bal	13,000		
	Payroll Payable			
			5,000	Beg Bal
			31,000	(4)
	Office Salaries Expense			
	(4)	9,000		
	Accumulated Depreciation (Factory)			
			80,000	Beg Bal
			14,000	(3)

The cost of direct materials used in production is

- A. \$15,000.
- B. \$11,000.
- C. \$29,000.
- D. \$62,300.

88. The costs of completed jobs in a service organization is transferred to the

- A. Work in Process Inventory account.
- B. Finished Goods Inventory account.
- C. Cost of Goods Sold account.
- D. Cost of Services account.

89. Which of the following *cannot* be learned by analyzing job order cost cards?

- A. The balance of Work in Process Inventory at the end of the period
- B. The cost of all jobs done for a particular customer
- C. The completion time of jobs yet to be completed
- D. The type of products ordered by a particular customer

90. Johnson Technology specializes in graphic design and video production. In October 2014, the company incurred the following costs for providing services to one of its clients.

Supplies	\$ 200
Labor	1,500
Overhead	1,800

Johnson Technology's contract with the client discloses a 20% profit margin on the cost incurred. Determine the profit earned by the company by providing services.

- A. \$3,500
- B. \$700
- C. \$4,200
- D. \$360

91. Johnson Technology specializes in graphic design and video production. In October 2014, the company incurred the following costs for providing services to one of its clients.

Supplies	\$ 200
Labor	1,500
Overhead	1,800

Johnson Technology's contract with the client discloses 20% profit margin on the cost incurred. Determine the total amount to be received by the company from its client.

- A. \$3,500
- B. \$3,860
- C. \$4,200
- D. \$2,800

92. Delaware Inc. incurred the following costs in October, 2014, for producing 5,000 good units of personalized photo frames.

Direct materials	\$ 15,000
Direct labor	10,000
Overhead applied	13,500

The company sold 4,500 units. Determine the product unit cost of photo frames.

- A. \$8.56
- B. \$7.70
- C. \$5.00
- D. \$5.56

93. Ad-on International is an advertising company. It estimated the overhead costs for March, 2014, to be \$950,000 and direct labor hours to be 5,000 hours. In March, it incurred overhead costs of \$1,150,000 and 5,100 labor hours.

What is the predetermined overhead rate for March, 2014?

- A. \$186 per direct labor hour
- B. \$190 per direct labor hour
- C. \$225 per direct labor hour
- D. \$230 per direct labor hour

94. Ad-on International is an advertising company. It estimated the overhead costs for March, 2014, to be \$950,000 and direct labor hours to be 5,000 hours. In March, it incurred overhead costs of \$1,150,000 and 5,100 labor hours.

The amount of overhead costs applied by the company in March, 2014, is:

- A. \$969,000.
- B. \$1,150,000.
- C. \$950,000.
- D. \$1,173,000.

95. Ad-on International is an advertising company. It estimated the overhead costs for March, 2014, to be \$950,000 and direct labor hours to be 5,000 hours. In March, it incurred overhead costs of \$1,150,000 and 5,100 labor hours.

What is the overapplied or underapplied overhead for Ad-on International for March, 2014?

- A. \$181,000 underapplied
- B. \$181,000 overapplied
- C. \$19,000 underapplied
- D. \$19,000 overapplied

96. Pearl Inc. incurred overhead costs of \$65,000 in May, 2014. The overhead applied on the basis of direct labor hours for May was \$90,000. The company worked for 500 hours in the month. What is the predetermined overhead rate per direct labor hour?
- A. \$130 per direct labor hour
 - B. \$180 per direct labor hour
 - C. \$1.38 per direct labor hour
 - D. \$500 per direct labor hour
97. An allocation base used in the process cost allocation is known as
- A. cost processor.
 - B. cost object.
 - C. cost driver.
 - D. cost pooler.
98. The traditional approach to applying overhead costs to a product or service is to use a(n)
- A. actual overhead rate.
 - B. activity-based overhead rate.
 - C. departmental overhead rate.
 - D. single-plantwide overhead rate.
99. Lotus Company's actual overhead is greater than the applied overhead. This difference is deemed immaterial. The company records this by debiting Overhead account and crediting Cost of Goods Sold account. Which of the following is true of Lotus Company?
- A. The company has correctly recorded the difference.
 - B. The company's assets are overstated.
 - C. The company should have credited Work in Process account for the difference.
 - D. The company's Cost of Goods Sold account is understated.
100. Which of the following is true of activity-based costing?
- A. It is also called single-plantwide overhead costing.
 - B. It is helpful when companies manufacture one product.
 - C. It categorizes all indirect costs by activity.
 - D. The total overhead costs accumulate in one cost pool.
101. Which of the following will help managers set reasonable selling prices?
- A. Previous year net income of the company
 - B. Number of employees in the company
 - C. Unit cost knowledge of the product
 - D. Previous year's income tax variance

102. Which of the following activities is a manager likely to carry out everyday?

- A. Establishing selling prices for products
- B. Ensuring quality of products produced
- C. Estimating overhead costs to be incurred
- D. Preparing financial statements for a period

103. Which of the following is related to performing in the management process?

- A. Comparison of job estimates with actual job costs
- B. Preparation of financial statement
- C. Computation of a job's cost per unit
- D. Selection of a predetermined overhead rate

104. Disposing under- or overapplied overhead into the Cost of Goods Sold account is related to _____ in the management process.

- A. performing
- B. planning
- C. evaluating
- D. communicating

105. WinLaw is a legal services provider. It is planning to extend its operations by providing tax consultancy services. Which of the following statements will be true if the company extends its operation as planned?

- A. The cost of providing legal services is high as tax consultancy service will be in its initial stages.
- B. The company cannot extend its operations since it requires additional staff.
- C. The company should know the unit service cost of tax services before determining the fees.
- D. The company should drop this service line if it makes lesser profit than legal services.

106. Which of the following is a manager likely to do while preparing internal performance evaluation reports?

- A. Review possible one-time order opportunities
- B. Record adjusting journal entries
- C. Determine human resource needs for the following period
- D. Compare actual costs with targeted costs

107. Which of the following tasks succeeds the disposing under- or overapplied overhead?

- A. Preparation of financial statements
- B. Comparison of actual and allocated overhead amounts
- C. Estimation of overhead costs
- D. Establishment of predetermined overhead rate

108. Which of the following is true of performance evaluation reports?

- A. Performance evaluation reports help service organizations determine inventory balances.
- B. Both external and internal users use performance evaluation reports.
- C. They are prepared before establishing the selling price of a product.
- D. Their modification will increase product sales.

109. Explain the similarities and differences between job order costing and process costing. Focus on the characteristics of each system.

110. Dyana Julian, president of Julian Juices, Inc., has approached you with the following questions: “Why must we use the process costing method to compute product unit costs for three lines of fruit juices? Why can't we consider using a job order costing approach?”

Prepare a written response to Ms. Julian.

111. As related to a job order costing system, answer the following questions:

- a. What is a job order costing system? Identify three kinds of companies that would use such a system.
- b. What is a job order?
- c. What is the purpose of a job order cost card? Identify the kinds of information recorded in it.

112. Explain how the unit cost information is used by managers in the management process.

113. Match the following key terms with their meaning:

- | | | |
|--|-----------------|-------|
| 1. An allocation base | Cost object | _____ |
| 2. Which desires cost data, such as a department | Cost allocation | _____ |
| 3. Process of assigning indirect costs | Cost pool | _____ |
| 4. The collection of indirect costs assigned | Cost driver | _____ |

114. The Work in Process Inventory account for Clinton Company for the month ended September 30 appears below.

Work in Process Inventory			
Beginning Balance	0	Completed	135,800
Direct Materials	42,000		
Direct Labor	70,000		
Overhead	91,000		

Overhead is applied based on direct labor dollars. Direct material costs for the one job remaining in work in process on September 30 was \$12,300.

- What was the overhead rate used to apply overhead to jobs?
- Determine the amount of direct labor charged to the one remaining job. Round your answers to nearest dollars.

115. During the first month of the current accounting period, Southern California Company experienced a devastating loss due to a fire. Many of the accounting records were lost and the company is now trying to recreate the lost information. Fragments of data found include the following:

1. A portion of the budget indicates that the overhead rate was \$10 per direct labor hour.
2. Job 74 was in process and had incurred \$9,600 of direct materials and \$14,000 of direct labor (1,000 hours). The company has a single hourly wage rate.
3. During the month, 4,500 direct labor hours were worked.
4. Actual overhead costs were \$48,000. No indirect materials were used.
5. The Materials Inventory account had a beginning balance of \$28,000 and an ending balance of \$18,000.
6. The Finished Goods Inventory account had a beginning balance of \$12,000 and an ending balance of \$26,000.
7. The Work in Process Inventory account had a beginning balance of \$17,000.
8. The Cost of Goods Sold is \$171,000.

Calculate the following amounts:

- a. Ending work in process inventory account balance, Job No. 74
- b. Cost of goods completed
- c. Amount of overhead under- or overapplied.
- d. Direct materials used
- e. Direct materials purchased

116. Teddy's To Hug, produces Teddy Bears for heart patients. Last month the company produced 500 bears. Using job order costing, determine the product unit cost for one bear based on the following costs: production facility utilities, \$600; depreciation on production equipment, \$550; indirect materials, \$450; direct materials, \$1,300; indirect labor, \$900; direct labor, \$2,500; sales commissions, \$3,000; president's salary, \$5,000; insurance on production facility, \$700; advertising expense, \$600; rent on production facility, \$5,000; rent on sales office, \$3,000; and legal expense, \$300. Round your answer to two decimal places.

117. Pretty Pillows, Mfg., manufactures silk throw pillows. Last month the company produced 3,890 pillows. Using job order costing, determine the product unit cost for one pillow based on the following costs: production facility utilities, \$1,600; depreciation on production equipment, \$650; indirect materials, \$400; direct materials, \$5,300; indirect labor, \$1,000; direct labor, \$3,500; sales commissions, \$4,000; president's salary, \$8,000; insurance on production facility, \$1,000; advertising expense, \$900; rent on production facility, \$6,000; rent on sales office, \$4,000; and legal expense, \$600. Round your answer to two decimal places.

118. Jackson, CPA, entered into a cost-plus contract with Ivory Computer Services for software installation and Internet interfacing in her accounting practice. The following is Ivory Computer Services' job cost card for this job. Ivory's profit factor is 25 percent of total costs. Complete the following card, as indicated:

JOB ORDER COST CARD	
Ivory Computer Services	
Customer:	Jackson, CPA
Job Order No.:	
Contract Type	Cost-Plus
Type of Service	Software Installation and Internet Interfacing
Date of Completion	July 13, 2014
<u>Costs Charged to Job</u>	<u>Total Cost</u>
Software installations services	
Installation labor	\$500
Service overhead (b% of installation labor costs)	(a)
Total	\$800
Internet services	
Internet labor	\$200
Service overhead (30% of Internet labor costs)	60
Total	\$ (c)
Cost summary to date	Total Cost
Software installation services	\$(d)
Internet services	(e)
Total	\$(f)
Profit (25%)	(g)
Contract revenue	\$(h)

119. Bear Country produces hand-carved wooden bears and uses a job order costing system. The following are data on the three jobs worked on in the company's first month of operations:

	Smokey	Rocky	Curious
Number of bears	180	100	80
Direct labor hours worked	400	200	140
Direct materials cost	\$4,500	\$2,700	\$2,000
Direct labor cost	\$6,000	\$3,000	\$2,100

Overhead cost is applied to job orders on the basis of direct labor hours at a predetermined rate of \$10 per hour. The Smokey and Rocky bears were completed during the month, and the Curious bears remained in work in process at the end of the month.

- a. Compute the cost transferred to finished goods during the month.
- b. Compute the unit cost for a Rocky bear.

120. Quickwork Company uses a job order costing system. On March 1, Quickwork Company's Work in Process Inventory account shows a beginning balance of \$170,000. Production activity for March was as follows: Materials costing \$85,000, along with operating supplies of \$20,000, were requisitioned into production. Quickwork Company's total payroll was \$350,000, of which \$75,000 was indirect labor. Overhead is applied at a rate of 125 percent of direct labor cost. Quickwork's Cost of Goods Sold for the month of May was \$692,000. Finished Goods Inventory was \$71,500 on March 1 and \$84,000 on March 31. (Quickwork does not close out overhead accounts until year-end.)

- a. Calculate Quickwork's cost of goods completed for March.
- b. Calculate Quickwork's work in process ending inventory (March 31).
- c. One of the jobs that was started in March, Job 208, was completed in April. Job 208 was 250 special-order decorative lamps. The following costs had been applied to Job 208 as of April 1: direct materials, \$1,500; direct labor, \$2,000; overhead, \$2,500. In April, \$580 in direct materials cost and \$900 of direct labor cost were added to complete Job 208. What was the cost per unit for Job 208? (Show your computations.)

121. Logan Company uses a job order costing system. A predetermined overhead rate of \$7 per machine hour in Department A and 220 percent per direct labor dollar in Department B has been established based upon the following information at the beginning of the year:

	<i>Department A</i>	<i>Department B</i>
Estimated overhead	\$40,600	\$88,000
Estimated machine hours	5,800	12,500
Estimated direct labor dollars	\$40,000	\$40,000
Estimated direct labor hours	5,000	3,125

Job 19 for 100 units is started in Department A and completed in Department B. Determine the total cost of Job 19 and complete the job cost card based on the following information:

	<i>Department A</i>	<i>Department B</i>
Direct materials	\$800	\$950
Direct labor dollars	\$490	\$180
Direct labor hours	30	12
Machine hours	15	30

			Job Order	
JOB ORDER COST CARD				
Customer:		Batch:		Custom:
Specifications:				
Date of Order:		Date of Completion:		
Costs Charged to Job	Previous Months	Current Month	Cost Summary	
Direct materials				
Department A				
Department B				
Total direct materials				
Direct Labor				
Department A				
Department B				
Total direct labor				
Overhead				
Department A				
Department B				
Total overhead				
Total cost				
Units completed				
Product unit cost				

122. Taylor Company manufactures guitars and uses a job order costing system with a predetermined overhead rate of 110 percent per direct labor dollar.

On September 11, 2014, Those Guys ordered 200 beginner guitars which were completed on October 13, 2014. The Job Order number is 1031. Complete the job order cost card based on the following information:

	<i>September</i>	<i>October</i>
Direct materials	\$1,800	\$1,950
Direct labor dollars	\$1,500	\$1,800
Direct labor hours	100	120
Machine hours	20	30

			Job Order	
JOB ORDER COST CARD				
Customer:		Batch:		Custom:
Specifications:				
Date of Order:		Date of Completion:		
Costs Charged to Job	Previous Months	Current Month	Cost Summary	
Direct materials				
Direct labor				
Overhead				
Total cost				
Units completed				
Product unit cost				

123. Morgan & Morgan is a small firm that assists clients in the preparation of their tax returns. The firm has five accountants and five researchers, and it uses job order costing to determine the cost of each client's return. The firm is divided into two departments: (1) Preparation and (2) Research & Planning. Each department has its own overhead application rate. The Preparation Department's rate is based on accountant labor costs and Research & Planning is based on the number of research hours. The following is the company's estimates for the current year's operations.

	<i>Preparation</i>	<i>Research & Planning</i>
Accountant hours	8,000	3,000
Research hours	0	3,000
Accountant labor costs	\$480,000	\$135,000
Materials and supplies	10,000	5,000
Overhead costs	230,400	204,000

Client No. 2006-713 was completed during April of the current year and incurred the following costs and hours:

	<i>Preparation</i>	<i>Research & Planning</i>
Accountant hours	30	4
Research hours	0	8
Materials and supplies	\$ 25	\$ 15
Accountant labor costs	1,800	180

- a. Compute the overhead rates to be used by both departments.
- b. Determine the cost of Client No. 2006-713, by department and in total.

Chapter 2: Costing Systems: Job Order Costing **Key**

1. A job order costing system measures costs of each processes using an inventory account for each.

FALSE

2. The computations for costs to be transferred out of Work in Process Inventory differ if the production process involves multiple departments rather than a single department.

FALSE

3. Like a job order costing system, a process costing system is restricted to one Work in Process Inventory account.

FALSE

4. Identical products are produced in a continuous flow production process.

TRUE

5. In a job order costing system, costs are traced to a specific job order.

TRUE

6. An advertising company would probably use a process costing system.

FALSE

7. Companies that produce custom-made products usually use a process costing system.

FALSE

8. Job order costing is used by companies that make unique or special-order products.

TRUE

9. In a process costing system, product costs are traced to work cells.

TRUE

10. A job order costing system is used by companies that manufacture large amounts of similar products.

FALSE

11. A typical operations costing system for a manufacturer incorporates parts of both job order costing and process costing.

TRUE

12. The production process determines the product costing system needed.

TRUE

13. A process costing system first assigns the costs to the products manufactured by the departments, and then traces the costs of direct materials, direct labor, and overhead to departments.

FALSE

14. A company using the periodic inventory system records cost of goods sold when products are sold.

FALSE

15. The purchasing process begins with a request for indirect materials, whereas the manufacturing process begins with a request for direct materials.

FALSE

16. Costs for individual jobs are maintained on material cost cards when job order costing is in use.

FALSE

17. Job order cost cards for incomplete jobs make up the ending balance of the Finished Goods Inventory account.

FALSE

18. When a job has been completed, all of the costs assigned to that job are moved to the Cost of Goods Sold account.

FALSE

19. In a job order costing system, when overhead costs are applied, they decrease the Work in Process Inventory account.

FALSE

20. In a job order costing system, indirect labor costs incurred are debited to the Overhead account.

TRUE

21. In a job order costing system, the transfer of overhead costs to the Work in Process Inventory account must take place before product unit costs can be computed.

TRUE

22. In a job order costing system, when indirect materials are used, the Overhead account is increased.

TRUE

23. In a job order costing system, indirect labor costs are recorded by increasing the Payroll Payable account and increasing the Overhead account.

TRUE

24. In a job order costing system, when the goods are sold, the Cost of Goods Sold account is increased, and the Finished Goods Inventory account is decreased for the selling price of the goods sold.

FALSE

25. The ending balance in the Work in Process Inventory account equals the ending Overhead balance.

FALSE

26. A zero balance in Work in Process Inventory at the start of the period means all previously completed products have been shipped.

FALSE

27. To prepare financial statements at the end of the accounting period, the actual overhead cost for the period and the estimated overhead that was applied during the period must be reconciled in a job order costing system.

TRUE

28. If applied overhead exceeds actual overhead, cost of goods sold must be increased by the amount of the overapplied overhead in a job order costing system.

FALSE

29. Job order cost cards and cost flows through the inventory accounts form the core of a job order costing system.

TRUE

30. Regardless of the cost accounting system used, when the products are completed, they are transferred from work in process inventory to finished goods inventory.

TRUE

31. Job costs in a service organization end up in the Finished Goods Inventory account when a job is completed.

FALSE

32. In cost-plus contracts, a predetermined amount of profit is added to the cost of the contract.

TRUE

33. In a service organization using a job order costing system, actual overhead will be the same as applied overhead.

FALSE

34. The ending balance of Work in Process account is compared with the total costs shown on the job order cost cards to ensure correctness.

TRUE

35. In a job order costing system, a separate job order cost card is used for each individual job.

TRUE

36. After a job is completed, the product's unit cost can be determined from the job order cost card.

TRUE

37. The process of assigning a collection of indirect costs is termed as cost pooling.

FALSE

38. Predetermined overhead rate is calculated by dividing actual overhead costs by actual cost driver activity.

FALSE

39. Overhead applied is calculated by multiplying predetermined activity rate and actual cost driver activity.

TRUE

40. If the actual overhead costs are more than applied overhead costs, the difference represents overapplied overhead costs.

FALSE

41. When planning, managers allocate overhead costs using either the traditional or ABC approach.

FALSE

42. Managers' knowledge on unit cost helps in setting reasonable selling prices for products.

TRUE

43. Job estimates must be compared with actuals for evaluating performance.

TRUE

44. Service organizations use unit costs of services to determine inventory balances.

FALSE

45. Financial statements referred by external stakeholders compare actual unit costs with targeted unit costs.

FALSE

46. Managers prepare financial statements to communicate the company's performance to its external users.

TRUE

47. The type of product costing system used by a company is dictated by the

A. cost flow assumptions made by the company.

B. production process of the product.

C. inventory system used by the company.

D. selling price of the product.

48. Which of the following represents the product costs on the income statement?

A. Cost of goods sold

B. Sales revenue

C. Sales commissions

D. None of these

49. Which of the following is a document prepared every period for each process?

A. Process cost card

B. Process cost report

C. Process cost control sheet

D. Process cost recognition card

50. In which of the following situations should a company use process costing rather than job order costing?

A. If the product cost is accumulated in a single Work in Process Inventory account

B. If the product is produced based on individual customer specifications

C. If the product is composed of mass-produced homogeneous units

D. If the product goes through a single stage of production

51. Which of the following firms would most likely use a process costing system?

A. Firm providing legal services

B. Firm manufacturing papers

C. Firm providing advertising services

D. Firm printing wedding invitations

52. Which of the following characteristics applies to process costing, but does not apply to job order costing?

- A. The use of single Work in Process accounts
- B.** The use of equivalent units
- C. Separate, identifiable jobs
- D. The use of predetermined overhead rates

53. Which of the following is *not* an objective of product costing systems?

- A. To provide information for cost planning
- B. To assist in the preparation of the income statement
- C.** To determine the taxable profits
- D. To provide information for product pricing

54. Which of the following is a characteristic of a job order costing system?

- A. Uses several Work in Process Inventory accounts
- B.** Uses job cost cards to keep track of each job in process
- C. Assigns costs to specific processes
- D. Recognizes cost of materials when products are sold

55. Which of the following products would probably use a job order costing system?

- A. Pens
- B. Instant coffee
- C. Computer monitors
- D.** Advertisements

56. Process costing is applicable to production operations that

- A.** utilize several processes, departments, or work cells in a series.
- B. do not assign overhead costs to operations.
- C. produce products that are made to order.
- D. produce unique products.

57. Which of the following accurately describes a difference between job order and process costing systems?

- A. In job order costing systems, overhead costs are treated as product costs, whereas in process costing systems, overhead costs are treated as period costs.
- B. Job order costing systems do not assign costs to production, whereas process costing systems do.
- C.** In job order costing systems, costs are traced to a specific job order, whereas in process costing systems, costs are traced to work cells and then assigned to products manufactured.
- D. In a job order costing system, selling costs are treated as period costs, whereas they are treated as product costs in a process costing system.

58. A job order costing system measures product costs

- A. using process cost reports.
- B. in several Work in Process Inventory account.
- C. with regard to the process that created the cost.
- D.** for each completed unit.

59. Which of the following is *not* a characteristic of a process costing system?

- A. A specific time period is used
- B. Several Work in Process Inventory accounts are used
- C. Product costs are grouped by processes, departments, or work cells
- D.** Customized products are manufactured

60. Which of the following products would probably be produced by a company using a process costing system?

- A. House
- B. Wedding gowns
- C.** Bags
- D. Movie

61. Which of the following entities would probably use a process costing system?

- A.** An oil refinery
- B. A yacht builder
- C. A custom furniture company
- D. A custom jewelry manufacturer

62. If the difference between overhead applied and actual overhead is insignificant, it is usually written off to

- A.** Cost of Goods Sold.
- B. Work in Process Inventory.
- C. Finished Goods Inventory.
- D. Materials Inventory.

63. The applied overhead of a job is more than the actual overhead and it is considered immaterial by the company. An entry to record this would involve a

- A. debit to the Materials Inventory account.
- B. credit to the Overhead account.
- C.** credit to the Cost of Goods Sold account.
- D. debit to the Work in Process Inventory account.

64. Applied overhead of a company exceeds actual overhead when the
A. Overhead account has a credit balance.
B. journal entry to account for the difference involves a debit to Cost of Goods Sold.
C. Overhead account has a debit balance.
D. company has overspent in the overhead cost area.
65. If there is a credit balance in the Payroll Payable at the end of the accounting period, it represents
A. the amount by which applied payroll was greater than actual payroll.
B. the amount by which actual payroll was greater than applied payroll.
C. labor costs which have not been paid.
D. an amount that should be charged to Cost of Goods Sold.
66. When Smith Builder's Designer House #201 is completed, Smith's
A. Work in Process Inventory is increased.
B. total assets are increased.
C. Work in Process Inventory is decreased.
D. total assets are decreased.
67. The total of the dollar amounts on the job order cost cards that have *not* been completed would be equal to the
A. cost of goods completed.
B. balance in the Finished Goods Inventory account.
C. cost of goods sold.
D. balance in the Work in Process Inventory account.
68. Costs assigned to the building of a ship should appear on the income statement when
A. the ship is completed.
B. the ship is sold.
C. the purchase order to manufacture the ship is received.
D. cash is collected for the sale of the ship.
69. The basic document for keeping track of all costs in a job order costing system is a
A. job order cost card.
B. labor time card.
C. process cost report.
D. materials requisition form.

70. Under a job order costing system, the dollar amount of the entry to record the transfer of goods from Work in Process Inventory to Finished Goods Inventory is the total of the costs charged to all jobs

- A. started during the period.
- B. completed and sold during the period.
- C. completed during the period.**
- D. started and completed during the period.

71. The Work in Process Inventory account in a job order costing system consists of

- A. time conversion cards.
- B. job conversion cards.
- C. job order cost cards.**
- D. product cost cards.

72. When direct materials are issued from inventory to production under a job order costing system, an increase is recorded in the

- A. Overhead account.
- B. Work in Process Inventory account.**
- C. Materials Inventory account.
- D. Finished Goods Inventory account.

73. The following information is available at the end of May:

Balance in work in process on May 1	\$141,800	
Direct materials costs for May	174,500	
Direct labor costs for May	162,500	
Overhead applied at rate of 140% of direct labor dollars		
Jobs completed during May:		
Job 84	\$198,780	
Job 85	102,520	
Job 86	119,450	
Job 87	93,150	
Job 88 was not complete at the end of May.		

If \$72,400 of materials were charged to Job 88's job cost card, how much overhead was applied to Job 88?

- A. \$35,100
- B. \$70,000**
- C. \$72,400
- D. \$120,000

74. The balance in the Work in Process Inventory account on October 1 was \$14,000, and the balance on October 31 was \$85,400. Costs incurred during the month were as follows: direct materials, \$55,820; direct labor, \$58,420; and overhead, \$40,000. What amount was transferred to the Finished Goods Inventory account during October?

- A.** \$82,840
- B. \$154,240
- C. \$239,640
- D. \$140,240

75. Unit costs for each job are computed by dividing

- A. estimated total costs by planned units to be produced.
- B. actual costs by actual units sold.
- C.** cost of direct materials, direct labor, and overhead by number of units produced.
- D. estimated total costs by actual units sold.

76. The _____ provides the most direct means of calculating unit costs for a job.

- A.** job order cost card
- B. Finished Goods Inventory account
- C. general ledger
- D. Materials Inventory account

77. The following information is available at the end of the period for the completed Job 73:

Beginning balance	\$17,000
Direct materials	30,600
Direct labor	24,500
Overhead applied	41,700
Total number of units produced	35,000
Total number of units sold	28,500

What is the unit cost for Job 73?

- A. \$2.55
- B.** \$3.19
- C. \$1.50
- D. \$3.92

78. The balances on the job cost sheets of uncompleted jobs will be equal to the balance in the

- A. Finished Goods Inventory account.
- B. Cost of Goods Sold account.
- C.** Work in Process Inventory account.
- D. Overhead account.

79. Applied overhead is less than actual overhead incurred during the year. Which of the following journal entries is made to close the Overhead account if this difference is immaterial?

- A. Overhead
 Work in Process
- B. Cost of Goods Sold**
 Overhead
- C. Overhead
 Finished Goods Inventory
- D. Cost of Goods Sold
 Finished Goods Inventory

80. Which of the following is the entry to record indirect labor costs incurred?

- A. Work in Process Inventory
 Overhead
- B. Overhead
 Work in Process Inventory
- C. Overhead**
 Payroll Payable
- D. Payroll Payable
 Overhead

81. In a job order costing system, the purchase of materials on account should be recorded as follows:

- A. Materials Inventory
 Work in Process Inventory
- B. Materials Inventory**
 Accounts Payable
- C. Work in Process Inventory
 Accounts Payable
- D. Accounts Payable
 Materials Inventory

82. Service organizations incur little or no cost for

- A. services.
- B. overhead.
- C. materials.**
- D. labor.

83. Cardsheet Company

The following partially completed T accounts summarize the transactions of Cardsheet Company for last year:

	Materials Inventory			
	Beg Bal	1,000	18,000	(2)
	(1)	17,000		
	Work in Process Inventory			
	Beg Bal	9,000	62,300	(7)
	(2)	11,000		
	(4)	15,000		
	(6)	30,000		
	Overhead			
	(2)	7,000	30,000	(6)
	(3)	14,000		
	(4)	7,000		
	(5)	3,000		
	Cost of Goods Sold			
	Accounts Payable			
			17,000	(1)
			3,000	(5)
	Finished Goods Inventory			
	Beg Bal	16,000		
	(7)	62,300		
	End Bal	13,000		
	Payroll Payable			
			5,000	Beg Bal
			31,000	(4)
	Office Salaries Expense			
	(4)	9,000		
	Accumulated Depreciation (Factory)			
			80,000	Beg Bal
			14,000	(3)

The indirect labor cost is

- A. \$7,000.
- B. \$3,000.
- C. \$14,000.
- D. \$30,000.

84. Cardsheet Company

The following partially completed T accounts summarize the transactions of Cardsheet Company for last year:

	Materials Inventory			
	Beg Bal	1,000	18,000	(2)
	(1)	17,000		
	Work in Process Inventory			
	Beg Bal	9,000	62,300	(7)
	(2)	11,000		
	(4)	15,000		
	(6)	30,000		
	Overhead			
	(2)	7,000	30,000	(6)
	(3)	14,000		
	(4)	7,000		
	(5)	3,000		
	Cost of Goods Sold			
	Accounts Payable			
			17,000	(1)
			3,000	(5)
	Finished Goods Inventory			
	Beg Bal	16,000		
	(7)	62,300		
	End Bal	13,000		
	Payroll Payable			
			5,000	Beg Bal
			31,000	(4)
	Office Salaries Expense			
	(4)	9,000		
	Accumulated Depreciation (Factory)			
			80,000	Beg Bal
			14,000	(3)

The cost of goods manufactured is

- A. \$62,300
- B. \$64,000
- C. \$18,000
- D. \$1,700

85. Cardsheet Company

The following partially completed T accounts summarize the transactions of Cardsheet Company for last year:

Materials Inventory			
Beg Bal	1,000	18,000	(2)
(1)	17,000		
Work in Process Inventory			
Beg Bal	9,000	62,300	(7)
(2)	11,000		
(4)	15,000		
(6)	30,000		
Overhead			
(2)	7,000	30,000	(6)
(3)	14,000		
(4)	7,000		
(5)	3,000		
Cost of Goods Sold			
Accounts Payable			
		17,000	(1)
		3,000	(5)
Finished Goods Inventory			
Beg Bal	16,000		
(7)	62,300		
End Bal	13,000		
Payroll Payable			
		5,000	Beg Bal
		31,000	(4)
Office Salaries Expense			
(4)	9,000		
Accumulated Depreciation (Factory)			
		80,000	Beg Bal
		14,000	(3)

The cost of goods sold (after adjusting for under- or overapplied overhead) is

- A. \$92,300.
- B. \$60,300.
- C. \$34,300.
- D.** \$66,300.

86. Cardsheet Company

The following partially completed T accounts summarize the transactions of Cardsheet Company for last year:

Materials Inventory			
Beg Bal	1,000	18,000	(2)
(1)	17,000		
Work in Process Inventory			
Beg Bal	9,000	62,300	(7)
(2)	11,000		
(4)	15,000		
(6)	30,000		
Overhead			
(2)	7,000	30,000	(6)
(3)	14,000		
(4)	7,000		
(5)	3,000		
Cost of Goods Sold			
Accounts Payable			
		17,000	(1)
		3,000	(5)
Finished Goods Inventory			
Beg Bal	16,000		
(7)	62,300		
End Bal	13,000		
Payroll Payable			
		5,000	Beg Bal
		31,000	(4)
Office Salaries Expense			
(4)	9,000		
Accumulated Depreciation (Factory)			
		80,000	Beg Bal
		14,000	(3)

The applied overhead is

A. \$31,000.

B. \$30,000.

C. \$18,000.

D. \$62,300.

87. Cardsheet Company

The following partially completed T accounts summarize the transactions of Cardsheet Company for last year:

	Materials Inventory			
	Beg Bal	1,000	18,000	(2)
	(1)	17,000		
	Work in Process Inventory			
	Beg Bal	9,000	62,300	(7)
	(2)	11,000		
	(4)	15,000		
	(6)	30,000		
	Overhead			
	(2)	7,000	30,000	(6)
	(3)	14,000		
	(4)	7,000		
	(5)	3,000		
	Cost of Goods Sold			
	Accounts Payable			
			17,000	(1)
			3,000	(5)
	Finished Goods Inventory			
	Beg Bal	16,000		
	(7)	62,300		
	End Bal	13,000		
	Payroll Payable			
			5,000	Beg Bal
			31,000	(4)
	Office Salaries Expense			
	(4)	9,000		
	Accumulated Depreciation (Factory)			
			80,000	Beg Bal
			14,000	(3)

The cost of direct materials used in production is

- A. \$15,000.
- B. \$11,000.**
- C. \$29,000.
- D. \$62,300.

88. The costs of completed jobs in a service organization is transferred to the

- A. Work in Process Inventory account.
- B. Finished Goods Inventory account.
- C. Cost of Goods Sold account.
- D. Cost of Services account.**

89. Which of the following *cannot* be learned by analyzing job order cost cards?

- A. The balance of Work in Process Inventory at the end of the period
- B. The cost of all jobs done for a particular customer
- C. The completion time of jobs yet to be completed**
- D. The type of products ordered by a particular customer

90. Johnson Technology specializes in graphic design and video production. In October 2014, the company incurred the following costs for providing services to one of its clients.

Supplies	\$ 200
Labor	1,500
Overhead	1,800

Johnson Technology's contract with the client discloses a 20% profit margin on the cost incurred. Determine the profit earned by the company by providing services.

- A. \$3,500
- B. \$700**
- C. \$4,200
- D. \$360

91. Johnson Technology specializes in graphic design and video production. In October 2014, the company incurred the following costs for providing services to one of its clients.

Supplies	\$ 200
Labor	1,500
Overhead	1,800

Johnson Technology's contract with the client discloses 20% profit margin on the cost incurred. Determine the total amount to be received by the company from its client.

- A. \$3,500
- B. \$3,860
- C. \$4,200**
- D. \$2,800

92. Delaware Inc. incurred the following costs in October, 2014, for producing 5,000 good units of personalized photo frames.

Direct materials	\$ 15,000
Direct labor	10,000
Overhead applied	13,500

The company sold 4,500 units. Determine the product unit cost of photo frames.

- A. \$8.56
- B. \$7.70**
- C. \$5.00
- D. \$5.56

93. Ad-on International is an advertising company. It estimated the overhead costs for March, 2014, to be \$950,000 and direct labor hours to be 5,000 hours. In March, it incurred overhead costs of \$1,150,000 and 5,100 labor hours.

What is the predetermined overhead rate for March, 2014?

- A. \$186 per direct labor hour
- B. \$190 per direct labor hour**
- C. \$225 per direct labor hour
- D. \$230 per direct labor hour

94. Ad-on International is an advertising company. It estimated the overhead costs for March, 2014, to be \$950,000 and direct labor hours to be 5,000 hours. In March, it incurred overhead costs of \$1,150,000 and 5,100 labor hours.

The amount of overhead costs applied by the company in March, 2014, is:

- A. \$969,000.**
- B. \$1,150,000.
- C. \$950,000.
- D. \$1,173,000.

95. Ad-on International is an advertising company. It estimated the overhead costs for March, 2014, to be \$950,000 and direct labor hours to be 5,000 hours. In March, it incurred overhead costs of \$1,150,000 and 5,100 labor hours.

What is the overapplied or underapplied overhead for Ad-on International for March, 2014?

- A. \$181,000 underapplied**
- B. \$181,000 overapplied
- C. \$19,000 underapplied
- D. \$19,000 overapplied

96. Pearl Inc. incurred overhead costs of \$65,000 in May, 2014. The overhead applied on the basis of direct labor hours for May was \$90,000. The company worked for 500 hours in the month. What is the predetermined overhead rate per direct labor hour?
- A. \$130 per direct labor hour
 - B. \$180 per direct labor hour**
 - C. \$1.38 per direct labor hour
 - D. \$500 per direct labor hour
97. An allocation base used in the process cost allocation is known as
- A. cost processor.
 - B. cost object.
 - C. cost driver.**
 - D. cost pooler.
98. The traditional approach to applying overhead costs to a product or service is to use a(n)
- A. actual overhead rate.
 - B. activity-based overhead rate.
 - C. departmental overhead rate.
 - D. single-plantwide overhead rate.**
99. Lotus Company's actual overhead is greater than the applied overhead. This difference is deemed immaterial. The company records this by debiting Overhead account and crediting Cost of Goods Sold account. Which of the following is true of Lotus Company?
- A. The company has correctly recorded the difference.
 - B. The company's assets are overstated.
 - C. The company should have credited Work in Process account for the difference.
 - D. The company's Cost of Goods Sold account is understated.**
100. Which of the following is true of activity-based costing?
- A. It is also called single-plantwide overhead costing.
 - B. It is helpful when companies manufacture one product.
 - C. It categorizes all indirect costs by activity.**
 - D. The total overhead costs accumulate in one cost pool.
101. Which of the following will help managers set reasonable selling prices?
- A. Previous year net income of the company
 - B. Number of employees in the company
 - C. Unit cost knowledge of the product**
 - D. Previous year's income tax variance

102. Which of the following activities is a manager likely to carry out everyday?

- A. Establishing selling prices for products
- B. Ensuring quality of products produced**
- C. Estimating overhead costs to be incurred
- D. Preparing financial statements for a period

103. Which of the following is related to performing in the management process?

- A. Comparison of job estimates with actual job costs
- B. Preparation of financial statement
- C. Computation of a job's cost per unit**
- D. Selection of a predetermined overhead rate

104. Disposing under- or overapplied overhead into the Cost of Goods Sold account is related to _____ in the management process.

- A. performing
- B. planning
- C. evaluating**
- D. communicating

105. WinLaw is a legal services provider. It is planning to extend its operations by providing tax consultancy services. Which of the following statements will be true if the company extends its operation as planned?

- A. The cost of providing legal services is high as tax consultancy service will be in its initial stages.
- B. The company cannot extend its operations since it requires additional staff.
- C. The company should know the unit service cost of tax services before determining the fees.**
- D. The company should drop this service line if it makes lesser profit than legal services.

106. Which of the following is a manager likely to do while preparing internal performance evaluation reports?

- A. Review possible one-time order opportunities
- B. Record adjusting journal entries
- C. Determine human resource needs for the following period
- D. Compare actual costs with targeted costs**

107. Which of the following tasks succeeds the disposing under- or overapplied overhead?

- A. Preparation of financial statements**
- B. Comparison of actual and allocated overhead amounts
- C. Estimation of overhead costs
- D. Establishment of predetermined overhead rate

108. Which of the following is true of performance evaluation reports?

- A. Performance evaluation reports help service organizations determine inventory balances.
- B.** Both external and internal users use performance evaluation reports.
- C. They are prepared before establishing the selling price of a product.
- D. Their modification will increase product sales.

109. Explain the similarities and differences between job order costing and process costing. Focus on the characteristics of each system.

The main similarity between a job order costing system and a process costing system is that both provide information about product unit cost that managers can use to price products, control costs, value inventory, and prepare financial statements.

The main difference is that a job order costing system traces product costs to a specific job order or batch of products and uses a single Work in Process Inventory account to summarize the costs of all jobs. This account is supported by job order cost cards. A process costing system traces the production costs to processes, departments, or work cells. A process costing system uses several Work in Process Inventory accounts—one for each process, department, or work cell.

110. Dyana Julian, president of Julian Juices, Inc., has approached you with the following questions: “Why must we use the process costing method to compute product unit costs for three lines of fruit juices? Why can't we consider using a job order costing approach?”

Prepare a written response to Ms. Julian.

The process costing method is suitable for businesses that produce liquid products and have a continuous production process. The key is a continuous process and the fact that it is difficult to see when one order has been completed and another started. A job order costing method, on the other hand, is suitable when a company produces special-order or one-of-a-kind products. In this situation, it is necessary to collect costs for each order. A juice beverage business making only three lines of beverages lends itself to the process costing method. If the company switches strategies and begins to produce special-order juices in small quantities or for specific customers, then a job order costing method may be appropriate.

111. As related to a job order costing system, answer the following questions:

- a. What is a job order costing system? Identify three kinds of companies that would use such as system.
- b. What is a job order?
- c. What is the purpose of a job order cost card? Identify the kinds of information recorded in it.

a. A job order costing system is a product costing system used by companies that make unique or special-order products. Companies that manufacture products such as customized publications, specially built cabinets, or made-to-order draperies would use this system. The costs of direct materials, direct labor, and overhead are traced to a specific job order or batch of products.

b. A job order is a customer order for a specific number of specially designed, made-to-order products.

c. Because all costs are charged to one Work in Process Inventory account in a job order costing system, job order cost cards are needed to link those costs to specific jobs. There is one job order cost card for each job being worked on, and all costs for the job are accumulated on that card. Each job order cost card provides space to record the costs of direct materials, direct labor, and applied overhead. In addition, space should be provided for the job order number, product specifications, the customer's name, the date of the order, the projected completion date, and a cost summary.

112. Explain how the unit cost information is used by managers in the management process.

Managers depend on relevant and reliable information about costs to manage their organizations.

- When planning, unit cost information will help managers to set reasonable selling prices and estimate the cost of their products or services.
- When performing every day tasks, unit cost information is helpful in controlling costs and ensuring quality.
- While evaluating the results, managers use unit cost information to analyze performance by comparing job estimates with actual job costs.
- While communicating the results to internal and external users, managers use unit cost information to prepare financial statements and internal management reports.

113. Match the following key terms with their meaning:

- | | | |
|--|-----------------|----------|
| 1. An allocation base | Cost object | <u>2</u> |
| 2. Which desires cost data, such as a department | Cost allocation | <u>3</u> |
| 3. Process of assigning indirect costs | Cost pool | <u>4</u> |
| 4. The collection of indirect costs assigned | Cost driver | <u>1</u> |

114. The Work in Process Inventory account for Clinton Company for the month ended September 30 appears below.

Work in Process Inventory			
Beginning Balance	0	Completed	135,800
Direct Materials	42,000		
Direct Labor	70,000		
Overhead	91,000		

Overhead is applied based on direct labor dollars. Direct material costs for the one job remaining in work in process on September 30 was \$12,300.

a. What was the overhead rate used to apply overhead to jobs?

b. Determine the amount of direct labor charged to the one remaining job. Round your answers to nearest dollars.

a.

\$91,000 (overhead applied)	=	\$1.30 per direct labor dollar or 130% of direct labor dollars
\$70,000 (direct labor dollars)		

b.

\$19,607

\$67,200	ending work in process balance
— <u>12,300</u>	direct materials cost in ending inventory
\$54,900	direct labor and overhead
Let X	= direct labor dollars
X + 1.3X	= \$54,900
X	= \$ 23,870 direct labor
1.3X	= \$31,030 overhead

115. During the first month of the current accounting period, Southern California Company experienced a devastating loss due to a fire. Many of the accounting records were lost and the company is now trying to recreate the lost information. Fragments of data found include the following:

1. A portion of the budget indicates that the overhead rate was \$10 per direct labor hour.
2. Job 74 was in process and had incurred \$9,600 of direct materials and \$14,000 of direct labor (1,000 hours). The company has a single hourly wage rate.
3. During the month, 4,500 direct labor hours were worked.
4. Actual overhead costs were \$48,000. No indirect materials were used.
5. The Materials Inventory account had a beginning balance of \$28,000 and an ending balance of \$18,000.
6. The Finished Goods Inventory account had a beginning balance of \$12,000 and an ending balance of \$26,000.
7. The Work in Process Inventory account had a beginning balance of \$17,000.
8. The Cost of Goods Sold is \$171,000.

Calculate the following amounts:

- a. Ending work in process inventory account balance, Job No. 74
- b. Cost of goods completed
- c. Amount of overhead under- or overapplied.
- d. Direct materials used
- e. Direct materials purchased

a. Ending work in process inventory	= Direct Materials + Direct Labor + Applied Overhead
<u>\$33,600</u>	= \$9,600 + \$14,000 + (\$10 × 1,000 hours)
b. Cost of goods completed	= Ending finished goods inventory + Cost of goods sold + Beginning finished goods inventory
<u>\$185,000</u>	= \$26,000 + \$171,000 + \$12,000
c. Underapplied overhead	= Actual overhead - Applied overhead
<u>\$3,000</u>	= \$48,000 - (\$10 × 4,500 hours)
d. Direct materials used	= Ending work in process + Cost of goods completed - Beginning work in process - Direct labor - Applied overhead
<u>\$93,600</u>	= \$33,600 + \$185,000 - \$17,000 - (\$14 × 4,500 hours) - \$45,000
e. Direct materials purchased	= Ending materials inventory + Direct materials used - Beginning materials inventory
<u>\$83,600</u>	= \$18,000 + \$93,600 - \$28,000

116. Teddy's To Hug, produces Teddy Bears for heart patients. Last month the company produced 500 bears. Using job order costing, determine the product unit cost for one bear based on the following costs: production facility utilities, \$600; depreciation on production equipment, \$550; indirect materials, \$450; direct materials, \$1,300; indirect labor, \$900; direct labor, \$2,500; sales commissions, \$3,000; president's salary, \$5,000; insurance on production facility, \$700; advertising expense, \$600; rent on production facility, \$5,000; rent on sales office, \$3,000; and legal expense, \$300. Round your answer to two decimal places.

Job Costs:		
Direct materials		\$ 1,300
Direct labor		2,500
Overhead:		
Production facility utilities	\$ 600	
Depreciation on production equipment	550	
Indirect materials	450	
Indirect labor	900	
Insurance on production facility	700	
Rent on production facility	5,000	
		<u>8,200</u>
Total cost		<u>\$12,000</u>
Product unit cost = Total cost / Number of units produced		
(\$12,000 / 500)		<u>\$24.00</u>

117. Pretty Pillows, Mfg., manufactures silk throw pillows. Last month the company produced 3,890 pillows. Using job order costing, determine the product unit cost for one pillow based on the following costs: production facility utilities, \$1,600; depreciation on production equipment, \$650; indirect materials, \$400; direct materials, \$5,300; indirect labor, \$1,000; direct labor, \$3,500; sales commissions, \$4,000; president's salary, \$8,000; insurance on production facility, \$1,000; advertising expense, \$900; rent on production facility, \$6,000; rent on sales office, \$4,000; and legal expense, \$600. Round your answer to two decimal places.

Job Costs:		
Direct materials		\$ 5,300
Direct labor		3,500
Overhead:		
Production facility utilities	\$1,600	
Depreciation on production equipment	650	
Indirect materials	400	
Indirect labor	1,000	
Insurance on production facility	1,000	
Rent on production facility	6,000	
		<u>10,650</u>
Total cost		<u>\$19,450</u>
Product unit cost = Total cost / Number of units produced		
(\$19,450 / 3,890)		<u>\$5.00</u>

118. Jackson, CPA, entered into a cost-plus contract with Ivory Computer Services for software installation and Internet interfacing in her accounting practice. The following is Ivory Computer Services' job cost card for this job. Ivory's profit factor is 25 percent of total costs. Complete the following card, as indicated:

JOB ORDER COST CARD	
Ivory Computer Services	
Customer:	Jackson, CPA
Job Order No.:	
Contract Type	Cost-Plus
Type of Service	Software Installation and Internet Interfacing
Date of Completion	July 13, 2014
<u>Costs Charged to Job</u>	<u>Total Cost</u>
Software installations services	
Installation labor	\$500
Service overhead (b% of installation labor costs)	(a)
Total	\$800
Internet services	
Internet labor	\$200
Service overhead (30% of Internet labor costs)	60
Total	\$ (c)
Cost summary to date	Total Cost
Software installation services	\$(d)
Internet services	(e)
Total	\$(f)
Profit (25%)	(g)
Contract revenue	\$(h)

JOB ORDER COST CARD	
Ivory Computer Services	
Customer:	Jackson, CPA
Job Order No.:	
Contract Type:	Cost-Plus
Type of Service:	Software Installation and Internet Interfacing
Date of Completion:	July 13, 2014
<u>Costs Charged to Job</u>	<u>Total Cost</u>
Software installations services	
Installation labor	\$ 500
Service overhead (60% of installation labor costs)	300
Total	\$ 800
Internet services	
Internet labor	\$ 200
Service overhead (30% of Internet labor costs)	60
Total	\$ 260
Cost summary to date	
Software installation services	\$ 800
Internet services	260
Total	\$ 1,060
Profit (25%)	265
Contract revenue	\$1,325

119. Bear Country produces hand-carved wooden bears and uses a job order costing system. The following are data on the three jobs worked on in the company's first month of operations:

	Smokey	Rocky	Curious
Number of bears	180	100	80
Direct labor hours worked	400	200	140
Direct materials cost	\$4,500	\$2,700	\$2,000
Direct labor cost	\$6,000	\$3,000	\$2,100

Overhead cost is applied to job orders on the basis of direct labor hours at a predetermined rate of \$10 per hour. The Smokey and Rocky bears were completed during the month, and the Curious bears remained in work in process at the end of the month.

a. Compute the cost transferred to finished goods during the month.

b. Compute the unit cost for a Rocky bear.

a. Jobs completed

Smokey

Direct materials	\$ 4,500
Direct labor	6,000
Overhead (\$10 ´ 400)	<u>4,000</u>
	<u>\$14,500</u>

Rocky

Direct materials	\$2,700
Direct labor	3,000
Overhead (\$10 ´ 200)	<u>2,000</u>
	<u>\$7,700</u>

Cost transferred to finished goods	Smokey:	\$14,500
	Rocky:	<u>7,700</u>
		<u>\$22,200</u>

b.

Unit cost for a Rocky bear =	\$7,700	= \$77 per bear
	100 bears	

120. Quickwork Company uses a job order costing system. On March 1, Quickwork Company's Work in Process Inventory account shows a beginning balance of \$170,000. Production activity for March was as follows: Materials costing \$85,000, along with operating supplies of \$20,000, were requisitioned into production. Quickwork Company's total payroll was \$350,000, of which \$75,000 was indirect labor. Overhead is applied at a rate of 125 percent of direct labor cost. Quickwork's Cost of Goods Sold for the month of May was \$692,000. Finished Goods Inventory was \$71,500 on March 1 and \$84,000 on March 31. (Quickwork does not close out overhead accounts until year-end.)

a. Calculate Quickwork's cost of goods completed for March.

b. Calculate Quickwork's work in process ending inventory (March 31).

c. One of the jobs that was started in March, Job 208, was completed in April. Job 208 was 250 special-order decorative lamps. The following costs had been applied to Job 208 as of April 1: direct materials, \$1,500; direct labor, \$2,000; overhead, \$2,500. In April, \$580 in direct materials cost and \$900 of direct labor cost were added to complete Job 208. What was the cost per unit for Job 208? (Show your computations.)

a.

Finished Goods Inventory		
3/1	71,500	
Completed	704,500	692,000 (Cost of Goods Sold)
3/31	84,000	

Cost of goods completed =	\$692,000	cost of goods sold
	+ 84,000	ending inventory
	\$776,000	
	- 71,500	beginning inventory
	\$704,500	cost of goods completed

b.

Work in process beginning inventory	\$170,000
+ Materials used	85,000
+ Direct labor	275,000 (\$350,000 - \$75,000)
+ Overhead	343,750 (1.25 × \$275,000)
Total in work in process	\$873,750
- Cost of goods completed	704,500
Work in process ending inventory	\$169,250

c.

Job 208:	Beginning			
	inventory:	Direct materials	\$1,500	
		Direct labor	2,000	
		Overhead	2,500	
	Added in June:	Direct materials	580	
		Direct labor	900	
		Overhead	1,125	(1.25 × \$900)
		Total cost	\$8,605	
	\$8,605 ÷ 250 = \$34.42 per unit			

121. Logan Company uses a job order costing system. A predetermined overhead rate of \$7 per machine hour in Department A and 220 percent per direct labor dollar in Department B has been established based upon the following information at the beginning of the year:

	<i>Department A</i>	<i>Department B</i>
Estimated overhead	\$40,600	\$88,000
Estimated machine hours	5,800	12,500
Estimated direct labor dollars	\$40,000	\$40,000
Estimated direct labor hours	5,000	3,125

Job 19 for 100 units is started in Department A and completed in Department B. Determine the total cost of Job 19 and complete the job cost card based on the following information:

	<i>Department A</i>	<i>Department B</i>
Direct materials	\$800	\$950
Direct labor dollars	\$490	\$180
Direct labor hours	30	12
Machine hours	15	30

			Job Order	
JOB ORDER COST CARD				
Customer:		Batch:		Custom:
Specifications:				
Date of Order:		Date of Completion:		
Costs Charged to Job	Previous Months	Current Month	Cost Summary	
Direct materials				
Department A				
Department B				
Total direct materials				
Direct Labor				
Department A				
Department B				
Total direct labor				
Overhead				
Department A				
Department B				
Total overhead				
Total cost				
Units completed				
Product unit cost				

			Job Order	19
JOB ORDER COST CARD				
Logan Company				
Customer:		Batch:		Custom:
Specifications:				
Date of Order:		Date of Completion:		
Costs Charged to Job	Previous Months	Current Month	Cost Summary	
Direct materials				
Department A		\$800		
Department B		950		
Total direct materials			\$1,750	
Direct Labor				
Department A 30 hr.		\$490		
Department B 12 hr.		180		
Total direct labor			670	
Overhead				
Department A (\$7 x 15 machine hr.)		\$105		
Department B (220% x \$180)		396		
Total overhead			501	
Total cost			<u>\$2,921</u>	
Units completed			÷ 100	
Product unit cost			<u>\$29.21</u>	

122. Taylor Company manufactures guitars and uses a job order costing system with a predetermined overhead rate of 110 percent per direct labor dollar.

On September 11, 2014, Those Guys ordered 200 beginner guitars which were completed on October 13, 2014. The Job Order number is 1031. Complete the job order cost card based on the following information:

	<i>September</i>	<i>October</i>
Direct materials	\$1,800	\$1,950
Direct labor dollars	\$1,500	\$1,800
Direct labor hours	100	120
Machine hours	20	30

		Job Order	
JOB ORDER COST CARD			
Customer: _____ Batch: _____ Custom: _____			
Specifications: _____			
Date of Order: _____		Date of Completion: _____	
Costs Charged to Job	Previous Months	Current Month	Cost Summary
Direct materials			
Direct labor			
Overhead			
Total cost			
Units completed			
Product unit cost			

			Job Order	1031
JOB ORDER COST CARD				
Taylor Company				
Customer:	Those Guys	Batch:		Custom:
Specifications:	200 Beginner guitars			
Date of Order:	9/11/2014	Date of Completion:	10/13/2014	
Costs Charged to Job	Previous Months	Current Month	Cost Summary	
Direct materials	\$1,800	\$1,950	\$ 3,750	
Direct labor	1,500	1,800	3,300	
Overhead				
(110% of direct labor)	1,650	1,980	3,630	
Total cost	\$4,950	\$5,730	\$10,680	
Units completed			÷ 200	
Product unit cost			\$ 53.40	

123. Morgan & Morgan is a small firm that assists clients in the preparation of their tax returns. The firm has five accountants and five researchers, and it uses job order costing to determine the cost of each client's return. The firm is divided into two departments: (1) Preparation and (2) Research & Planning. Each department has its own overhead application rate. The Preparation Department's rate is based on accountant labor costs and Research & Planning is based on the number of research hours. The following is the company's estimates for the current year's operations.

	<i>Preparation</i>	<i>Research & Planning</i>
Accountant hours	8,000	3,000
Research hours	0	3,000
Accountant labor costs	\$480,000	\$135,000
Materials and supplies	10,000	5,000
Overhead costs	230,400	204,000

Client No. 2006-713 was completed during April of the current year and incurred the following costs and hours:

	<i>Preparation</i>	<i>Research & Planning</i>
Accountant hours	30	4
Research hours	0	8
Materials and supplies	\$ 25	\$ 15
Accountant labor costs	1,800	180

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- a. Compute the overhead rates to be used by both departments.
- b. Determine the cost of Client No. 2006-713, by department and in total.

a. Preparation Department overhead rate = $\$230,400 \div \$480,000 = 48\%$ of accountant labor costs; Research & Planning Department overhead rate = $\$204,000 \div 3,000$ research hours = \$68 per research hour

b.

	<i>Preparation</i>	<i>Research & Planning</i>	<i>Total</i>
Accountant labor costs	\$1,800	\$180	\$1,980
Materials and supplies	25	15	40
Applied overhead	864	544	1,408
Totals	<u>\$2,689</u>	<u>\$739</u>	<u>\$3,428</u>