Managerial Accounting 7th edition Wild Test Bank

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Managerial Accounting, 7e **(Wild)**
Chapter 2 Job Order Costing and Analysis

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

Answer: TRUE
Difficulty: 1 Easy
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Remember
AACSB/Accessibility: Communication / Keyboard Navigation
AICPA: BB Industry; FN Measurement

2) A company that uses a cost accounting system normally has only two inventory accounts: Finished Goods Inventory and Work in Process Inventory.

Answer: FALSE
Difficulty: 1 Easy
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Remember
AACSB/Accessibility: Communication / Keyboard Navigation
AICPA: BB Industry; FN Measurement

3) Cost accounting information is helpful to management for pricing decisions but has no effect on controlling costs.

Answer: FALSE
Difficulty: 2 Medium
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Understand
AACSB/Accessibility: Communication / Keyboard Navigation
AICPA: BB Industry; FN Measurement

4) There are two basic types of cost accounting systems: job order costing and periodic costing.

Answer: FALSE
Difficulty: 1 Easy
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Remember
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5) There are two basic types of cost accounting systems: job order costing and process costing.

Answer: TRUE
Difficulty: 1 Easy
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Remember
AACSB/Accessibility: Communication / Keyboard Navigation
AICPA: BB Industry; FN Measurement

6) A company that produces a large number of standardized units would normally use a job order costing system.

Answer: FALSE
Difficulty: 1 Easy
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Remember
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7) A company that produces products individually designed to meet the needs of a specific customer, would normally use a job order costing system.

Answer: TRUE
Difficulty: 1 Easy
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Remember
AACSB/Accessibility: Communication / Keyboard Navigation
AICPA: BB Industry; FN Measurement

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

Answer: TRUE
Difficulty: 1 Easy
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Remember
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9) Job order costing would be appropriate for companies that produce pencils.

Answer: FALSE
Difficulty: 1 Easy
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Remember
AACSB/Accessibility: Communication / Keyboard Navigation
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10) A job order costing system would be appropriate for a manufacturer of automobile tires.

Answer: FALSE
Difficulty: 1 Easy
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Remember
AACSB/Accessibility: Communication / Keyboard Navigation
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11) Job order costing would be appropriate for companies that produce training films for a specific customer or custom-made furniture.

Answer: TRUE
Difficulty: 1 Easy
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Remember
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12) When a job involves producing more than one unit of a custom product, it is often called a job lot.

Answer: TRUE
Difficulty: 1 Easy
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
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13) The total costs on job cost sheets for jobs that are not yet completed equals the balance in the Finished Goods Inventory account.

Answer: FALSE
Difficulty: 1 Easy
Topic: Job Cost Sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Bloom's: Remember
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14) The total costs on job cost sheets for jobs that are not yet completed equals the balance in the Work in Process Inventory account.

Answer: TRUE
Difficulty: 1 Easy
Topic: Job Cost Sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Bloom's: Remember
AACSB/Accessibility: Communication / Keyboard Navigation
AICPA: BB Industry; FN Measurement

15) The total costs on job cost sheets for jobs that are completed but not yet sold equals the balance in the Finished Goods Inventory account.

Answer: TRUE
Difficulty: 1 Easy
Topic: Job Cost Sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Bloom's: Remember
AACSB/Accessibility: Communication / Keyboard Navigation
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16) 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.

Answer: FALSE
Difficulty: 1 Easy
Topic: Job Cost Sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Bloom's: Remember
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17) The direct materials section of a job cost sheet shows the materials costs assigned to a specific job, but the direct labor section only shows the total hours of labor allocated to the job.

Answer: FALSE
Difficulty: 2 Medium
Topic: Job Cost Sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Bloom's: Understand
AACSB/Accessibility: Communication / Keyboard Navigation
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18) The total manufacturing costs on job cost sheets for unfinished jobs equals the total amount in the Work in Process Inventory account in the general ledger.

Answer: TRUE
Difficulty: 1 Easy
Topic: Job Cost Sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Bloom's: Remember
AACSB/Accessibility: Communication / Keyboard Navigation
AICPA: BB Industry; FN Measurement

19) A job cost sheet does not contain information that is useful for managing the production process.

Answer: FALSE
Difficulty: 1 Easy
Topic: Job Cost Sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Bloom's: Remember
AACSB/Accessibility: Communication / Keyboard Navigation
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20) Job cost sheets are used to track all of the costs assigned to a job, including direct materials, direct labor, overhead, and all selling and administrative costs.

Answer: FALSE
Difficulty: 1 Easy
Topic: Job Cost Sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
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21) Job order costing is used to determine the cost of producing each job or job lot.

Answer: TRUE
Difficulty: 1 Easy
Topic: Job Cost Sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Bloom's: Remember
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22) The total cost of completed but undelivered jobs equals the balance in the Work in Process Inventory account.

Answer: FALSE
Difficulty: 1 Easy
Topic: Job Cost Sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Bloom's: Remember
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23) Both direct and indirect labor costs are recorded on individual job cost sheets.

Answer: FALSE
Difficulty: 1 Easy
Topic: Job Cost Sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Bloom's: Remember
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24) Job cost sheets include both product and period costs.

Answer: FALSE
Difficulty: 1 Easy
Topic: Job Cost Sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
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25) Only product costs are recorded on job cost sheets.

Answer: TRUE
Difficulty: 1 Easy
Topic: Job Cost Sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
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26) Service firms cannot use job order costing for determining a selling price for their services.

Answer: FALSE
Difficulty: 2 Medium
Topic: Pricing for Services
Learning Objective: 02-A1 Apply job order costing in pricing services.
Bloom's: Understand
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27) Job order costing applies to manufacturing firms only and not to service firms.

Answer: FALSE
Difficulty: 1 Easy
Topic: Pricing for Services
Learning Objective: 02-A1 Apply job order costing in pricing services.
Bloom's: Remember
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28) The cost of all direct materials issued to production is debited to Work in Process Inventory.

Answer: TRUE
Difficulty: 1 Easy
Topic: Materials Cost Flows and Documents
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
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29) A materials requisition is a source document used by production managers to request materials for production and also used to assign materials costs to specific jobs or to overhead.

Answer: TRUE
Difficulty: 1 Easy
Topic: Materials Cost Flows and Documents
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Bloom's: Remember
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30) Requisitions of indirect materials are not recorded on job cost sheets.

Answer: TRUE
Difficulty: 1 Easy
Topic: Materials Cost Flows and Documents
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Bloom's: Remember
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31) A materials requisition is a source document used for recording materials received.

Answer: FALSE
Difficulty: 1 Easy
Topic: Materials Cost Flows and Documents
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Bloom's: Remember
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32) A receiving report is the source document for recording materials received in both a materials ledger card and in the general ledger.

Answer: TRUE
Difficulty: 1 Easy
Topic: Materials Cost Flows and Documents
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
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33) In nearly all job order cost systems, materials ledger cards are perpetual records that are updated each time materials are purchased or issued for use in production.

Answer: TRUE
Difficulty: 1 Easy
Topic: Materials Cost Flows and Documents
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Bloom's: Remember
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

34) The journal entry to record direct materials used includes a debit to Work in Process Inventory.

Answer: TRUE
Difficulty: 1 Easy
Topic: Materials Cost Flows and Documents
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Bloom's: Remember
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35) The journal entry to record indirect materials used includes a debit to Work in Process Inventory.

Answer: FALSE
Difficulty: 1 Easy
Topic: Materials Cost Flows and Documents; Overhead Cost Flows
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.
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36) The journal entry to record the purchase of materials includes a debit to Work in Process Inventory.

Answer: FALSE
Difficulty: 1 Easy
Topic: Materials Cost Flows and Documents
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
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37) Materials requisitions and time tickets are cost accounting source documents.

Answer: TRUE
Difficulty: 1 Easy
Topic: Materials Cost Flows and Documents; Labor Cost Flows and Documents
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.; 19-P2 Describe and record the flow of labor costs in job order costing.
Bloom's: Remember
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38) A time ticket is a source document used by an employee to record the number of hours worked on a particular job during the work day.

Answer: TRUE
Difficulty: 1 Easy
Topic: Labor Cost Flows and Documents
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Bloom's: Remember
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39) Time tickets can be used to determine the amount of direct labor to charge to jobs.

Answer: TRUE
Difficulty: 1 Easy
Topic: Labor Cost Flows and Documents
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Bloom's: Remember
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40) A time ticket is a source document that an employee uses to report how much indirect labor was performed for a job.

Answer: FALSE
Difficulty: 1 Easy
Topic: Labor Cost Flows and Documents
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
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41) A time ticket is a source document used to record the total number of hours worked and serves as a source document for entries to record direct labor costs.

Answer: TRUE
Difficulty: 1 Easy
Topic: Labor Cost Flows and Documents
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Bloom's: Remember
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42) When direct labor costs are recorded, the journal entry is a debit to Factory Wages Payable and a credit to Work in Process Inventory.

Answer: FALSE
Difficulty: 2 Medium
Topic: Labor Cost Flows and Documents
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Bloom's: Understand
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

43) The predetermined overhead rate is used to apply estimated overhead cost to jobs.

Answer: TRUE
Difficulty: 1 Easy
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Remember
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44) Factory overhead is often collected and summarized in a subsidiary factory overhead ledger.

Answer: TRUE
Difficulty: 1 Easy
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
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45) Predetermined overhead rates are calculated at the end of the accounting period once the actual amount of factory overhead is known.

Answer: FALSE
Difficulty: 1 Easy
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Remember
AACSB/Accessibility: Communication / Keyboard Navigation
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46) Predetermined overhead rates are calculated before the start of the accounting period, and are therefore based on estimates.

Answer: TRUE
Difficulty: 1 Easy
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Remember
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47) Predetermined overhead rates are necessary because cost accountants use periodic inventory systems.

Answer: FALSE
Difficulty: 2 Medium
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Understand
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
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48) The predetermined overhead rate based on direct labor cost is the ratio of estimated overhead cost to estimated direct labor cost for the period.

Answer: TRUE
Difficulty: 2 Medium
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Understand
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49) In a job order costing system, indirect labor costs are debited to the Factory Overhead account.

Answer: TRUE
Difficulty: 1 Easy
Topic: Labor Cost Flows and Documents
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Bloom's: Remember
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50) The predetermined overhead rate is revised many times during the period to compensate for inaccurate estimates previously made.

Answer: FALSE
Difficulty: 2 Medium
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Understand
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51) Under a job order costing system, individual jobs are charged with actual overhead costs when they are transferred to finished goods.

Answer: FALSE
Difficulty: 2 Medium
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Understand
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
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52) Actual factory overhead incurred in a job costing system is debited to a Factory Overhead general ledger account and credited to various other accounts.

Answer: TRUE
Difficulty: 1 Easy
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
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53) Direct materials and direct labor costs are debited to the Factory Overhead account in a job costing system.

Answer: FALSE
Difficulty: 1 Easy
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Remember
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

54) There should be a "cause and effect" relation between the overhead allocation base and overhead costs.

Answer: TRUE
Difficulty: 1 Easy
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Remember
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

55) Overapplied overhead is the amount by which actual overhead cost exceeds the overhead applied to products during the period.

Answer: FALSE
Difficulty: 1 Easy
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Remember
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AICPA: BB Industry; FN Measurement

56) Underapplied overhead is the amount by which actual overhead cost exceeds the overhead applied to products during the period.

Answer: TRUE
Difficulty: 1 Easy
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Remember
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57) When actual overhead cost exceeds the overhead applied, overhead is said to be underapplied.

Answer: TRUE
Difficulty: 1 Easy
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Remember
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

58) When actual overhead cost exceeds the overhead applied, overhead is said to be overapplied.

Answer: FALSE
Difficulty: 1 Easy
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Remember
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

59) In a job order costing system, any immaterial underapplied overhead at the end of the period can be debited entirely to Cost of Goods Sold.

Answer: TRUE
Difficulty: 1 Easy
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Remember
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
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60) If actual overhead incurred during a period exceeds applied overhead, the difference will be a credit balance in the Factory Overhead account at the end of the period.

Answer: FALSE
Difficulty: 2 Medium
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Understand
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61) 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.

Answer: TRUE
Difficulty: 2 Medium
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Understand
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

62) 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.

Answer: TRUE
Difficulty: 2 Medium
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Understand
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

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

Answer: FALSE
Difficulty: 2 Medium
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Understand
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64) When overhead is underapplied at the end of a period, the adjusting journal entry includes a credit to Cost of Goods Sold.

Answer: FALSE
Difficulty: 1 Easy
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Remember
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

65) Underapplied overhead is the amount by which overhead applied to jobs exceeds the actual overhead incurred during a period.

Answer: FALSE
Difficulty: 2 Medium
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Understand
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

66) Overapplied overhead is the amount by which overhead applied to jobs using the predetermined overhead rate exceeds the actual overhead incurred during a period.

Answer: TRUE
Difficulty: 2 Medium
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
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67) Overapplied or underapplied overhead should be removed from the Factory Overhead account at the end of each accounting period.

Answer: TRUE
Difficulty: 1 Easy
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Remember
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

68) If overhead is underapplied, it means that individual jobs have not been charged enough during the year and the cost of goods sold reported is too low.

Answer: TRUE
Difficulty: 1 Easy
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Remember
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
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69) If overhead is overapplied, it means that individual jobs have not been charged enough overhead during the year and the cost of goods sold reported is too low.

Answer: FALSE
Difficulty: 1 Easy
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
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70) If overhead is overapplied, it means that individual jobs have been charged too much overhead during the year and the cost of goods sold reported is too high.

Answer: TRUE
Difficulty: 1 Easy
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Remember
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
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71) If overhead is underapplied, it means that individual jobs have been charged too much during the year and the cost of goods sold reported is too high.

Answer: FALSE
Difficulty: 1 Easy
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Remember
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72) The schedule of cost of goods manufactured for a job costing system includes total actual factory overhead.

Answer: FALSE
Difficulty: 1 Easy
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Remember
AACSB/Accessibility: Communication / Keyboard Navigation
AICPA: BB Industry; FN Measurement

73) Period costs for a manufacturing company, such as selling and administrative expenses, are recorded directly to Work in Process Inventory when they are incurred.

Answer: FALSE
Difficulty: 1 Easy
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Remember
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74) Manufacturing costs incurred for jobs completed during an accounting period can bypass the inventory accounts on the balance sheet and be recorded directly in expense accounts.

Answer: FALSE
Difficulty: 1 Easy
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Remember
AACSB/Accessibility: Communication / Keyboard Navigation
AICPA: BB Industry; FN Measurement

75) Cost accounting systems are used to:
A) Accumulate production and period costs and assign them to products or services.
B) Accumulate production costs and assign them to products or services.
C) Accumulate period cost and assign them to products or services.
D) Accumulate production costs and assign them to Raw Materials Inventory.
E) Analyze efficiency and effectiveness of inventory management.

Answer: B
Difficulty: 1 Easy
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Remember
AACSB/Accessibility: Communication / Keyboard Navigation
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76) A system of accounting for production operations that produces timely information about inventories and manufacturing costs per unit of product is a:
A) Finished goods accounting system.
B) General accounting system.
C) Manufacturing accounting system.
D) Cost accounting system.
E) Production accounting system.

Answer: D
Difficulty: 1 Easy
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
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77) Job order costing would be used for all of the following *except*:
A) Construction of a custom home.
B) Production of running shoes.
C) Production of a Pixar movie.
D) Production of wedding invitations.
E) Conducting an audit.

Answer: B
Difficulty: 1 Easy
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Remember
AACSB/Accessibility: Communication / Keyboard Navigation
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78) Compared to a general accounting system, a cost accounting system for a manufacturing company emphasizes:
A) Periodic inventory counts.
B) Total costs.
C) Continually updating costs of materials, work in process, and finished goods inventories.
D) Products and average costs.
E) Large volume operations involving standardized products.

Answer: C
Difficulty: 1 Easy
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Remember
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79) Features of job order production include all of the following *except*:
A) Diversity of products produced.
B) Mass production.
C) Heterogeneity.
D) Customization.
E) Separate manufacturing from other products.

Answer: B
Difficulty: 1 Easy
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Remember
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80) The two basic types of cost accounting systems are:
A) Job order costing and perpetual costing.
B) Job order costing and customized product costing.
C) Job order costing and customized service costing.
D) Job order costing and process costing.
E) Job order costing and periodic costing.

Answer: D
Difficulty: 1 Easy
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Remember
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81) The production activities for a customized product represent a(n):
A) Operation.
B) Job.
C) Unit.
D) Pool.
E) Process.

Answer: B
Difficulty: 1 Easy
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Remember
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82) A job order costing system would best fit the needs of a company that makes:
A) Shoes and apparel.
B) Paint.
C) Cement.
D) Custom machinery.
E) Pencils and erasers.

Answer: D
Difficulty: 2 Medium
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Understand
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83) Job order production is also known as:
A) Mass production.
B) Process production.
C) Unit production.
D) Customized production.
E) Standard costing.

Answer: D
Difficulty: 1 Easy
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Remember
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84) Omega Construction manufactures homes to customer specifications. It most likely uses:
A) Process costing.
B) Periodic costing.
C) Unique costing.
D) Job order costing.
E) Activity-based costing.

Answer: D
Difficulty: 1 Easy
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Remember
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85) A type of production that yields customized products or services for each customer is called:
A) Customer orientation production.
B) Job order production.
C) Just-in-time production.
D) Job lot production.
E) Process production.

Answer: B
Difficulty: 2 Medium
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Understand
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86) A company that makes which of the following types of products would best be suited for a job costing system?
A) Fruit juice
B) Swimming suits
C) Snack chips
D) Phone chargers
E) Custom jewelry

Answer: E
Difficulty: 2 Medium
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Understand
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87) The target cost for a job using job costing is calculated as:
A) direct costs + desired profit.
B) direct costs − desired profit.
C) expected selling price − direct costs.
D) expected selling price − desired profit.
E) expected selling price + desired profit.

Answer: D
Difficulty: 1 Easy
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Remember
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88) A job order production system would be appropriate for a company that produces which one of the following items?
A) A landscaping design for a new hospital.
B) Seedlings for sale in a nursery.
C) Sacks of yard fertilizer.
D) Packets of flower seeds.
E) Small gardening tools, including rakes, shovels, and hoes.

Answer: A
Difficulty: 2 Medium
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Understand
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89) Large aircraft manufacturers normally use:
A) Job order costing.
B) Process costing.
C) Mixed costing.
D) Full costing.
E) Simple costing.

Answer: A
Difficulty: 2 Medium
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Understand
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90) A document in a job order costing system that is used to record the costs of producing a job is a(n):
A) Job cost sheet.
B) Job lot.
C) Finished goods summary.
D) Process cost system.
E) Units-of-production sheet.

Answer: A
Difficulty: 1 Easy
Topic: Job Cost Sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Bloom's: Remember
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91) A job cost sheet shows information about each of the following items except:
A) The direct labor costs assigned to the job.
B) The name of the customer.
C) The costs incurred by the marketing department in selling the job.
D) The overhead costs assigned to the job.
E) The direct materials costs assigned to the job.

Answer: C
Difficulty: 2 Medium
Topic: Job Cost Sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
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92) The job order cost sheets used by Greene Company revealed the following:

Job. No.	Bal., May 1	May Production Costs
134	$ 1,700	$ 0
135	1,200	300
136	0	900

Job No. 135 was completed during May and Jobs No. 134 and 135 were shipped to customers in May. What was the company's cost of goods sold for May and the balance of Work in Process inventory on May 31?
A) $3,200; $900.
B) $2,900; $1,200.
C) $1,200; $2,900.
D) $1,700; $1,200.
E) $4,100; $0.

Answer: A
Explanation:
Cost of goods sold:

Job 134:	$ 1,700
Job 135: ($1,200 + $300)	1,500
	$ 3,200

Work in process inventory:

Job 136:	$ 900

Difficulty: 3 Hard
Topic: Job Cost Sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Bloom's: Apply
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93) Job A3B was ordered by a customer on September 25. During the month of September, Jaycee Corporation requisitioned $2,500 of direct materials and used $4,000 of direct labor. The job was not finished by the end of September, but needed an additional $3,000 of direct materials and additional direct labor of $6,500 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 balance in the Work in Process account at the end of September relative to Job A3B?
A) $5,500
B) $11,500
C) $6,500
D) $9,500
E) $14,500

Answer: E
Explanation: DM $2,500 + DL $4,000 + OH ($4,000 × 2) = WIP for Job A3B $14,500
Work in process contains the sum of the costs on job cost sheets for jobs that are not yet complete.
Difficulty: 2 Medium
Topic: Job Cost Sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
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94) Job A3B was ordered by a customer on September 25. During the month of September, Jaycee Corporation requisitioned $2,500 of direct materials and used $4,000 of direct labor. The job was not finished by the end of September, but needed an additional $3,000 of direct materials and additional direct labor of $6,500 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?
A) $16,000
B) $22,500
C) $37,000
D) $26,500
E) $32,000

Answer: C
Explanation: September job costs: RM $2,500 + DL $4,000 + OH ($4,000 × 2) = $14,500
October job costs: RM $3,000 + DL $6,500 + OH ($6,500 × 2) = $22,500
Total costs: September $14,500 + October $22,500 = $37,000
Work in process contains the sum of the costs on job cost sheets for jobs that are not yet complete.
Difficulty: 2 Medium
Topic: Job Cost Sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Bloom's: Understand
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95) Job A3B was ordered by a customer on September 25. During the month of September, Jaycee Corporation requisitioned $2,500 of direct materials and used $4,000 of direct labor. The job was not finished by the end of September, but needed an additional $3,000 of direct materials in October and additional direct labor of $6,500 to finish the job. The company applies overhead at the end of each month at a rate of 200% of the direct labor cost. What is the amount of job costs added to Work in Process Inventory during October?
A) $16,000
B) $22,500
C) $37,000
D) $26,500
E) $32,000

Answer: B
Explanation: October job costs: RM $3,000 + DL $6,500 + OH ($6,500 × 2) = $22,500
Work in process contains the sum of the costs on job cost sheets for jobs that are not yet complete.
Difficulty: 2 Medium
Topic: Job Cost Sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Bloom's: Understand
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96) A job cost sheet includes:
A) Direct materials, direct labor, and operating costs.
B) Direct materials, estimated overhead, and administrative costs.
C) Direct labor, actual overhead, and selling costs.
D) Direct material, direct labor, and applied overhead.
E) Direct materials, direct labor, and selling costs.

Answer: D
Difficulty: 2 Medium
Topic: Job Cost Sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
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97) The balance in the Work in Process Inventory at any point in time equals
A) the costs for jobs finished during the period but not yet sold.
B) the manufacturing cost of jobs ordered but not yet started into production.
C) the sum of the manufacturing costs for all jobs in process but not yet completed.
D) the manufacturing costs of all jobs started during the period, completed or not.
E) the sum of the materials, labor and overhead costs paid during the period.

Answer: C
Difficulty: 2 Medium
Topic: Job Cost Sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Bloom's: Understand
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

98) The Work in Process Inventory account of a manufacturing company has a $3,200 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 $1,400 and direct labor cost of $800. Therefore, the amount of applied overhead is:
A) $1,800.
B) $2,200.
C) $1,000.
D) $800.
E) $2,400.

Answer: C
Explanation: WIP = DM + DL + OH
$3,200 = $1,400 + $800 + OH
OH = $3,200 − $1,400 − $800 = $1,000
Difficulty: 1 Easy
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Remember
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99) The Work in Process Inventory account of a manufacturing company has a $4,400 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 $2,000 and direct labor cost of $800. Therefore, the company's predetermined overhead rate is:
A) 40% of direct labor cost.
B) 50% of direct labor cost.
C) 80% of direct labor cost.
D) 200% of direct labor cost.
E) 300% of direct labor cost.

Answer: D
Explanation: WIP = DM + DL + OH
$4,400 = $2,000 + $800 + OH
OH = $1,600; OH rate = $1,600/$800 = 200%
Difficulty: 3 Hard
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: FN Measurement; BB Critical Thinking

100) A perpetual record of a raw materials item that records data on the quantity and cost of units purchased, units issued for use in production, and units that remain in the raw materials inventory, is called a(n):
A) Materials ledger card.
B) Materials requisition.
C) Purchase order.
D) Materials voucher.
E) Purchase ledger.

Answer: A
Difficulty: 1 Easy
Topic: Materials Cost Flows and Documents
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
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101) A source document that production managers use to request materials for production and that is used to assign materials costs to specific jobs or to overhead is a:
A) Job cost sheet.
B) Production order.
C) Materials requisition.
D) Materials purchase order.
E) Receiving report.

Answer: C
Difficulty: 1 Easy
Topic: Materials Cost Flows and Documents
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Bloom's: Remember
AACSB/Accessibility: Communication / Keyboard Navigation
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102) A company that uses a job order costing system would make the following entry to record the flow of direct materials into production:
A) debit Work in Process Inventory, credit Cost of Goods Sold.
B) debit Work in Process Inventory, credit Raw Materials Inventory.
C) debit Work in Process Inventory, credit Factory Overhead.
D) debit Factory Overhead, credit Raw Materials Inventory.
E) debit Finished Goods Inventory, credit Raw Materials Inventory.

Answer: B
Difficulty: 2 Medium
Topic: Materials Cost Flows and Documents
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Bloom's: Understand
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103) 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

Beginning WIP	4,500	
Direct materials	47,100	
Direct labor	29,600	
Applied overhead	15,800	
Total Mfg. costs	97,000	
To finished goods		?
Ending WIP	8,900	

The cost of jobs transferred to finished goods is:
A) $97,000.
B) $105,900.
C) $88,100.
D) $95,200.
E) $92,500.

Answer: C
Explanation: Beginning WIP + Direct Materials + Direct Labor + Applied OH − Finished Goods = Ending WIP

$4,500 + $47,100 + $29,600 + $15,800 − FG = $8,900;

FG = $88,100
Difficulty: 2 Medium
Topic: Materials Cost Flows and Documents; Labor Cost Flows and Documents; Overhead Cost Flows
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.; 19-P2 Describe and record the flow of labor costs in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.
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104) A company's overhead rate is 60% of direct labor cost. Using the following incomplete accounts, determine the cost of direct materials used.
106,400.

Work in Process Inventory		
Beginning WIP	100,800	
Direct materials	?	
Direct labor	?	
Applied overhead	?	
To finished goods		?
Ending WIP	131,040	

Factory Overhead	
100,800	90,720

Finished Goods Inventory		
Beginning FG	118,200	
	324,800	301,000
Ending FG	142,000	

A) $106,400.
B) $113,120.
C) $30,240.
D) $211,680.
E) $324,800.

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Answer: B
Explanation: Direct Labor × FOH Rate = FOH Applied
Direct Labor × .60 = $90,720
Direct Labor = $90,720/.60 = $151,200
Beg. Bal. + DM + DL + OH − Transfer to FG = End. Bal.
$100,800 + DM + $151,200 + $90,720 − $324,800 = $131,040; DM = $113,120

Work in Process Inventory			
Beginning WIP	100,800		
Direct materials	113,120		
Direct labor	151,200		
Applied overhead	90,720		
To finished goods			324,800
Ending WIP	131,040		

Factory Overhead			
	100,800		90,720

Finished Goods Inventory			
Beginning FG	118,200		
	324,800		301,000
Ending FG	142,000		

Difficulty: 3 Hard
Topic: Materials Cost Flows and Documents; Labor Cost Flows and Documents; Overhead Cost Flows
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.; 19-P2 Describe and record the flow of labor costs in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.
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105) A company's overhead rate is 200% of direct labor cost. Using the following incomplete accounts, determine the cost of direct materials used.

Work in Process Inventory

Beginning WIP	50,000	
Direct materials	?	
Direct labor	?	
Applied overhead	?	
To finished goods		?
Ending WIP	60,000	

Factory Overhead

	138,000	140,000

Finished Goods Inventory

Beginning FG	40,000	
	265,000	270,000
Ending FG	35,000	

A) $130,000.
B) $65,000.
C) $270,000.
D) $265,000.
E) $280,000.

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Answer: B
Explanation: Direct Labor × FOH Rate = FOH Applied
Direct Labor × 2 = $140,000
Direct Labor = $140,000/2 = $70,000
Beg Bal + DM + DL + OH − Transfer to FG = End Bal
$50,000 + DM + $70,000 + $140,000 − $265,000 = $60,000; DM = $65,000

Work in Process Inventory

Beginning WIP	50,000	
Direct materials	65,000	
Direct labor	70,000	
Applied overhead	140,000	
To finished goods		265,000
Ending WIP	60,000	

Factory Overhead

	138,000	140,000

Finished Goods Inventory

Beginning FG	40,000	
	265,000	270,000
Ending FG	35,000	

Difficulty: 3 Hard
Topic: Materials Cost Flows and Documents; Labor Cost Flows and Documents; Overhead Cost Flows
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.; 19-P2 Describe and record the flow of labor costs in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
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106) A source document that an employee uses to report how much time was spent working on a job or on overhead activities and that is used to determine the amount of direct labor to charge to the job or to determine the amount of indirect labor to charge to factory overhead is called a:
A) Payroll Register.
B) Factory payroll record.
C) General Ledger.
D) Time ticket.
E) Factory Overhead Ledger.

Answer: D
Difficulty: 1 Easy
Topic: Labor Cost Flows and Documents
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Bloom's: Remember
AACSB/Accessibility: Communication / Keyboard Navigation
AICPA: BB Industry; FN Measurement

107) When direct labor costs are recorded in a job costing:
A) Factory Wages Payable is debited and Work in Process Inventory is credited.
B) Work in Process Inventory is debited and Factory Wages Payable is credited.
C) Cost of Goods Manufactured is debited and Direct Labor is credited.
D) Direct Labor and Indirect Labor are debited and Factory Wages Payable is credited.
E) Work in Process Inventory is debited and Factory Overhead is credited.

Answer: B
Difficulty: 2 Medium
Topic: Labor Cost Flows and Documents; Overhead Cost Flows
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Understand
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108) Oxford Company uses a job order costing system. In the last month, the system accumulated labor time tickets total $24,600 for direct labor and $4,300 for indirect labor. How are these costs recorded?
A) Debit Payroll Expense $28,900; credit Cash $28,900.
B) Debit Payroll Expense $24,600; debit Factory Overhead $4,300; credit Factory Wages Payable $28,900.
C) Debit Work in Process Inventory $24,600; Debit Factory Overhead $4,300; Credit Factory Wages Payable $28,900.
D) Debit Work in Process Inventory $24,600; credit Factory Wages Payable $28,900.
E) Debit Work in Process Inventory $28,900; credit Factory Wages Payable $28,900.

Answer: C
Difficulty: 3 Hard
Topic: Labor Cost Flows and Documents; Overhead Cost Flows
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

109) Labor costs in production can be:
A) Direct or indirect.
B) Indirect or sunk.
C) Direct or payroll.
D) Indirect or payroll.
E) Direct or sunk.

Answer: A
Difficulty: 1 Easy
Topic: Labor Cost Flows and Documents
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Bloom's: Remember
AACSB/Accessibility: Communication / Keyboard Navigation
AICPA: BB Industry; FN Measurement

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110) An example of direct labor cost is:
A) Supervisor salary
B) Maintenance worker wages
C) Janitor wages
D) Product assembler wages
E) Accountant salary

Answer: D
Difficulty: 2 Medium
Topic: Labor Cost Flows and Documents
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Bloom's: Understand
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

111) A company has an overhead application rate of 125% of direct labor costs. How much overhead would be allocated to a job if it required direct labor costing $20,000?
A) $5,000.
B) $16,000.
C) $25,000.
D) $125,000.
E) $250,000.

Answer: C
Explanation: $20,000 × 1.25 = $25,000
Difficulty: 2 Medium
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Understand
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112) The rate established at the beginning of a period that uses estimated overhead and an allocation factor such as estimated direct labor, and that is used to assign overhead cost to jobs, is the:
A) Predetermined overhead rate.
B) Overhead variance rate.
C) Estimated labor cost rate.
D) Chargeable overhead rate.
E) Miscellaneous overhead rate.

Answer: A
Difficulty: 1 Easy
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Remember
AACSB/Accessibility: Communication / Keyboard Navigation
AICPA: BB Industry; FN Measurement

113) Kayak Company uses a job order costing system and allocates its overhead on the basis of direct labor costs. Kayak Company's production costs for the year were: direct labor, $30,000; direct materials, $50,000; and factory overhead applied $6,000. The predetermined overhead rate was:
A) 5.0%.
B) 12.0%.
C) 20.0%.
D) 500.0%.
E) 16.7%.

Answer: C
Explanation: OH rate = OH applied/Direct labor costs = $6,000/$30,000 = 20%
Difficulty: 2 Medium
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Understand
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114) Lowden Company has a predetermined overhead rate of 160% and allocates overhead based on direct material cost. During the current period, direct labor cost is $50,000 and direct materials cost is $80,000. How much overhead cost should Lowden Company should apply in the current period?
A) $31,250.
B) $50,000.
C) $80,000.
D) $128,000.
E) $208,000.

Answer: D
Explanation: $80,000 direct materials × 1.60 = $128,000
Difficulty: 2 Medium
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Understand
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

115) The overhead cost applied to a job during a period is recorded with a credit to Factory Overhead and a debit to:
A) Jobs Overhead Expense.
B) Cost of Goods Sold.
C) Finished Goods Inventory.
D) Indirect Labor.
E) Work in Process Inventory.

Answer: E
Difficulty: 2 Medium
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Understand
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116) CWN Company uses a job order costing system and last period incurred $80,000 of actual overhead and $100,000 of direct labor. CWN estimates that its overhead next period will be $75,000. 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:
A) 75%.
B) 80%.
C) 107%.
D) 125%.
E) 133%.

Answer: A
Explanation: OH rate = $75,000/$100,000 = 75%
Difficulty: 3 Hard
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

117) Cosi Company uses a job order costing system and allocates its overhead on the basis of direct labor costs. Cosi expects to incur $800,000 of overhead during the next period, and expects to use 50,000 labor hours at a cost of $10.00 per hour. What is Cosi Company's predetermined overhead rate?
A) 6.25%.
B) 62.5%.
C) 160%.
D) 1600%.
E) 67%.

Answer: C
Explanation: Total DL Cost = 50,000 hours × $10/hr. = $500,000
OH rate = $800,000/$500,000 = 160%
Difficulty: 3 Hard
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
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118) B&T Company's production costs for May are: direct labor, $13,000; indirect labor, $6,500; direct materials, $15,000; property taxes on production facility, $800; factory heat, lights and power, $1,000; and insurance on plant and equipment, $200. B&T Company's factory overhead incurred for May is:
A) $2,000.
B) $6,500.
C) $8,500.
D) $21,500.
E) $36,500.

Answer: C
Explanation:

Indirect labor	$ 6,500
Property taxes	800
Heat, light and power	1,000
Insurance	200
Total OH	$ 8,500

Difficulty: 2 Medium
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Understand
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

119) Mesa Corp. allocates overhead to production on the basis of direct labor costs. Mesa's total estimated overhead is $450,000 and estimated direct labor is $180,000. Determine the amount of overhead applied to a job which used $20,000 of direct labor.
A) $8,000.
B) $20,000.
C) $70,000.
D) $50,000.
E) $90,000.

Answer: D
Explanation: OH rate = $450,000/$180,000 = 250%
OH allocated = 250% × $20,000 = $50,000
Difficulty: 3 Hard
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
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120) Dallas Company uses a job order costing system. The company's executives estimated that direct labor would be $2,000,000 (200,000 hours at $10/hour) and that factory overhead would be $1,500,000 for the current period. At the end of the period, the records show that there had been 180,000 hours of direct labor and $1,200,000 of actual overhead costs. Using direct labor hours as a base, what was the predetermined overhead rate?
A) $6.00 per direct labor hour.
B) $7.50 per direct labor hour.
C) $6.67 per direct labor hour.
D) $8.33 per direct labor hour.
E) $7.08 per direct labor hour.

Answer: B
Explanation: OH rate = $1,500,000/200,000 hours = $7.50/hour
Difficulty: 2 Medium
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Understand
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121) Using the following accounts and a predetermined overhead rate of 90% of direct labor cost, determine the amount of applied overhead.

Work in Process Inventory

Beginning WIP	17,600	
Direct materials	52,800	
Direct labor	?	
Applied overhead	?	
To finished goods		?
Ending WIP	36,080	

Finished Goods Inventory

Beginning FG	5,200	
	201,520	
Ending FG		

A) $79,200.
B) $167,200.
C) $34,320.
D) $88,000.
E) $35,376.

Answer: A
Explanation: $17,600 + 52,800 + DL + OH − 201,520 = $36,080
DL + OH = $167,200
DL + .9DL = $167,200
1.9DL = $167,200; DL = $88,000
$88,000 + OH = $167,200; OH = $79,200

Work in Process Inventory

Beginning WIP	17,600	
Direct materials	52,800	
Direct labor	88,000	
Applied overhead	79,200	
To finished goods		201,520
Ending WIP	36,080	

Difficulty: 3 Hard
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
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122) If one unit of Product Z2 used $2.50 of direct materials and $3.00 of direct labor, sold for $8.00, and was assigned overhead at the rate of 30% of direct labor costs, how much gross profit was realized from this sale?
A) $8.00.
B) $5.50.
C) $2.50.
D) $1.60.
E) $0.90.

Answer: D
Explanation:

Cost:			
DM	$ 2.50	Selling Price	$ 8.00
DL	3.00	Cost	6.40
OH ($3 × 30%)	0.90	Gross Profit	$ 1.60
Total Cost	$ 6.40		

Difficulty: 3 Hard
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: FN Measurement; BB Critical Thinking

123) The ending inventory of finished goods has a total cost of $9,000 and consists of 600 units. If the overhead applied to these goods is $3,000, and the overhead rate is 75% of direct labor, how much direct materials cost was incurred in producing these units?
A) $3,750.
B) $2,000.
C) $4,000.
D) $6,000.
E) $9,000.

Answer: B
Explanation: DM + DL + OH = Total cost
DM + ($3,000/.75) + $3,000 = $9,000
DM + $4,000 + $3,000 = $9,000; DM = $2,000
Difficulty: 3 Hard
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
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124) At the current year-end, Ruiz Company found that its overhead was underapplied by $2,500, and this amount was not considered material. Based on this information, Ruiz should:
A) close the $2,500 to Cost of Goods Sold.
B) close the $2,500 to Finished Goods Inventory.
C) do nothing about the $2,500, since it is not material, and it is likely that overhead will be overapplied by the same amount next year.
D) carry the $2,500 to the income statement as "Other Expense".
E) carry the $2,500 to the next period.

Answer: A
Difficulty: 2 Medium
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Understand
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

125) If overhead applied is less than actual overhead incurred, it is:
A) Fully applied.
B) Underapplied.
C) Overapplied.
D) Expected.
E) Normal.

Answer: B
Difficulty: 1 Easy
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Remember
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126) The amount by which the overhead applied to jobs during a period exceeds the overhead incurred during the period is known as:
A) Adjusted overhead.
B) Estimated overhead.
C) Predetermined overhead.
D) Underapplied overhead.
E) Overapplied overhead.

Answer: E
Difficulty: 1 Easy
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Remember
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

127) The amount by which overhead incurred during a period exceeds the overhead applied to jobs is:
A) Balanced overhead.
B) Predetermined overhead.
C) Actual overhead.
D) Underapplied overhead.
E) Overapplied overhead.

Answer: D
Difficulty: 1 Easy
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Remember
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128) If a company applies overhead to production with a predetermined overhead rate, a credit balance in the Factory Overhead account at the end of the period means that:
A) The bookkeeper has made an error because the debits don't equal the credits.
B) The balance will be carried forward to the next period as an overhead cost.
C) Actual overhead incurred was less than the overhead amount applied to production.
D) The overhead was underapplied for the period.
E) Actual overhead was greater than the overhead amount applied to production.

Answer: C
Difficulty: 2 Medium
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Understand
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

129) At year-end, Marshall Enterprise's Factory Overhead account has a credit balance of $5,000, which is not a material amount. What entry should Marshall make at year-end?
A) No entry is needed.
B) Debit Factory Overhead $5,000; credit Cost of Goods Sold $5,000.
C) Debit Cost of Goods Sold $5,000; credit Factory Overhead $5,000.
D) Debit Factory Overhead $5,000; credit Work in Process Inventory $5,000.
E) Debit Factory Overhead $5,000; credit Finished Goods Inventory $5,000.

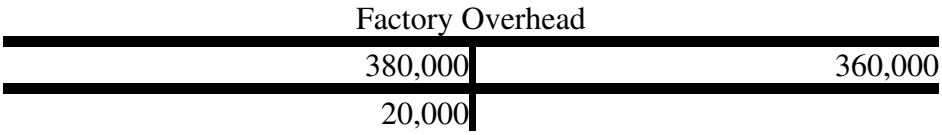
Answer: B
Difficulty: 3 Hard
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Apply
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130) Morris Company applies overhead based on direct labor costs. For the current year, Morris Company estimated total overhead costs to be $400,000, and direct labor costs to be $2,000,000. Actual overhead costs for the year totaled $380,000, and actual direct labor costs totaled $1,800,000. At year-end, the balance in the Factory Overhead account is a:
A) $380,000 Debit balance.
B) $360,000 Debit balance.
C) $20,000 Debit balance.
D) $400,000 Credit balance.
E) $20,000 Credit balance.

Answer: C
Explanation: Predetermined overhead rate = $400,000 estimated overhead cost / $2,000,000 estimated direct labor cost = 20% Overhead incurred, $380,000 – Overhead applied, $360,000



Difficulty: 3 Hard
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Apply
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Managerial Accounting 7th edition Wild Test Bank

131) Morris Company applies overhead based on direct labor costs. For the current year, Morris Company estimated total overhead costs to be $400,000, and direct labor costs to be $2,000,000. Actual overhead costs for the year totaled $380,000, and actual direct labor costs totaled $1,800,000. At year-end, Factory Overhead is:
A) Overapplied by $20,000.
B) Overapplied by $190,000.
C) Underapplied by $20,000.
D) Overapplied by $40,000.
E) Neither overapplied nor underapplied.

Answer: C
Explanation: Predetermined overhead rate = $400,000 estimated overhead cost / $2,000,000 estimated direct labor cost = 20%
Overhead applied = actual direct labor cost $1,800,000 × 20% = $360,000
Overhead incurred, $380,000 − Overhead applied, $360,000

Factory Overhead	
380,000	360,000
20,000	

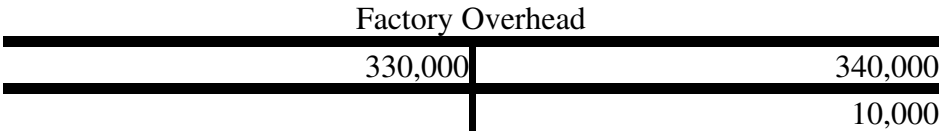
Difficulty: 3 Hard
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Apply
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132) Mango Company applies overhead based on direct labor costs. For the current year, Mango Company estimated total overhead costs to be $300,000, and direct labor costs to be $150,000. Actual overhead costs for the year totaled $330,000, and actual direct labor costs totaled $170,000. At year-end, the balance in the Factory Overhead account is a:
A) $330,000 Debit balance.
B) $170,000 Debit balance.
C) $10,000 Credit balance.
D) $340,000 Credit balance.
E) $10,000 Debit balance.

Answer: C
Explanation: Predetermined overhead rate = $300,000 estimated overhead cost / $150,000 estimated direct labor cost = 200%
Applied overhead = $170,000 actual direct labor cost × 200% = $340,000.
Overhead incurred, $330,000 − Overhead applied, $340,000



Difficulty: 3 Hard
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Apply
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Managerial Accounting 7th edition Wild Test Bank

133) Mango Company applies overhead based on direct labor costs. For the current year, Mango Company estimated total overhead costs to be $300,000, and direct labor costs to be $150,000. Actual overhead costs for the year totaled $330,000, and actual direct labor costs totaled $170,000. At year-end, Factory Overhead account is:
A) Overapplied by $10,000.
B) Overapplied by $170,000.
C) Underapplied by $10,000.
D) Overapplied by $20,000.
E) Neither overapplied nor underapplied.

Answer: A
Explanation: Predetermined overhead rate = $300,000 estimated overhead cost / $150,000 estimated direct labor cost = 200%
Applied overhead = $170,000 actual direct labor cost × 200% = $340,000.
Overhead incurred, $330,000 − Overhead applied, $340,000

Factory Overhead	
330,000	340,000
	10,000

Difficulty: 3 Hard
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Apply
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134) Clemmens Company applies overhead based on direct labor cost. Estimated overhead and direct labor costs for the year were $112,500 and $125,000, respectively. During the year, actual overhead was $107,400 and actual direct labor cost was $120,000. The entry to close the over- or underapplied overhead at year-end, assuming an immaterial amount, would include
A) a debit to Cost of Goods Sold for $600.
B) a credit to Factory Overhead for $600.
C) a credit to Finished Goods Inventory for $600.
D) a debit to Work in Process Inventory for $600.
E) a credit to Cost of Goods Sold for $600.

Answer: E
Explanation: OH = $112,500/$125,000 = 90% of DLC

Actual Overhead	$ 107,400
Overhead applied (90% × $120,000)	108,000
Overapplied overhead	$ 600

Difficulty: 3 Hard
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Apply
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

135) If overhead is underapplied all of the following are true *except*:
A) The Factory Overhead account has a debit balance.
B) Jobs are undercosted.
C) Jobs are overcosted.
D) The adjusting journal entry requires a debit to Cost of Goods Sold.
E) The adjusting journal entry requires a credit to Factory Overhead.

Answer: C
Difficulty: 2 Medium
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Understand
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136) Marina Corp. applied overhead to jobs during the period as follows:

Jobs finished and sold	$ 46,000
Jobs started and in process	54,000
Jobs finished and unsold	100,000

The application of overhead has resulted in a $5,600 credit balance in the Factory Overhead account. The entry to dispose of this remaining factory overhead balance is:
A) Debit Cost of Goods Sold $5,600; credit Factory Overhead $5,600.
B) Debit Factory Overhead $5,600; credit Cost of Goods Sold $5,600.
C) Debit Factory Overhead $5,600; credit Work in Process Inventory $5,600.
D) Debit Work in Process Inventory $5,600; credit Factory Overhead $5,600.
E) No entry is needed.

Answer: B
Difficulty: 3 Hard
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Apply
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137) Andrew Industries purchased $165,000 of raw materials on account during the month of March. The beginning Raw Materials Inventory balance was $22,000, and the materials used to complete jobs during the month were $141,000 of direct materials and $13,000 of indirect materials. What is the ending Raw Materials Inventory balance for March?
A) $46,000
B) $11,000
C) $33,000
D) $24,000
E) $9,000

Answer: C
Explanation: Beginning RM $22,000 + RM Purchased $165,000 − Direct RM used $141,000 − Indirect RM used $13,000 = $33,000 Ending RM Balance

Raw Materials Inventory		
Beginning RM	22,000	
Purchases	165,000	
Direct Materials Used		141,000
Indirect Materials Used		13,000
Ending RM	33,000	

Difficulty: 2 Medium
Topic: Materials Cost Flows and Documents
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Bloom's: Understand
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

138) Andrew Industries purchased $165,000 of raw materials on account during the month of March. The beginning Raw Materials Inventory balance was $22,000, and the materials used to complete jobs during the month were $141,000 direct materials and $13,000 indirect materials. How should Andrews record the purchase of raw materials for March?
A) Debit Raw Materials Inventory $165,000; credit Accounts Payable $165,000
B) Debit Work in Process Inventory $165,000; credit Raw Materials Inventory $165,000
C) Debit Raw Materials Inventory $187,000; credit Cash $187,000
D) Debit Accounts Payable $165,000; credit Raw Materials Inventory $165,000
E) Debit Accounts Payable $187,000; credit Raw Materials Inventory $187,000

Answer: A
Difficulty: 2 Medium
Topic: Materials Cost Flows and Documents
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Bloom's: Understand
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Managerial Accounting 7th edition Wild Test Bank

139) Andrew Industries purchased $165,000 of raw materials on account during the month of March. The beginning Raw Materials Inventory balance was $22,000, and the materials used to complete jobs during the month were $141,000 of direct materials and $13,000 of indirect materials. What amount will Andrew debit to Work in Process Inventory for the month of March?
A) $165,000
B) $154,000
C) $13,000
D) $141,000
E) $33,000

Answer: D
Explanation: Only direct materials used of $141,000 should be transferred to Work in Process Inventory for March.
Difficulty: 2 Medium
Topic: Materials Cost Flows and Documents
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Bloom's: Understand
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

140) Andrew Industries purchased $165,000 of raw materials on account during the month of March. The beginning Raw Materials Inventory balance was $22,000, and the materials used to complete jobs during the month were $141,000 of direct materials and $13,000 of indirect materials. What journal entry should Andrew use to account for direct materials used in March:
A) Debit Raw Materials Inventory $141,000; credit Accounts Payable $141,000.
B) Debit Work in Process Inventory $141,000; credit Raw Materials Inventory $141,000.
C) Debit Work in Process Inventory $141,000; credit Accounts Payable $141,000.
D) Debit Finished Goods Inventory $22,000; credit Raw Materials Inventory $22,000.
E) Debit Raw Materials Inventory $153,000; credit Work in Process Inventory $153,000.

Answer: B
Difficulty: 2 Medium
Topic: Materials Cost Flows and Documents
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Bloom's: Understand
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

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141) Juarez Builders incurred $285,000 of labor costs for construction jobs completed during the month of August, of which $212,000 was direct and $73,000 was indirect supervisory costs. The correct journal entry to record the direct labor for the month is:
A) Debit Payroll Expense $212,000; credit Cash $212,000.
B) Debit Factory Wages Payable $285,000; credit Work in Process Inventory $212,000.
C) Debit Work in Process Inventory $212,000; credit Cash $285,000.
D) Debit Work in Process Inventory $285,000; credit Factory Wages Payable $285,000.
E) Debit Work in Process Inventory $212,000; credit Factory Wages Payable $212,000.

Answer: E
Difficulty: 2 Medium
Topic: Labor Cost Flows and Documents
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Bloom's: Understand
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

142) Juarez Builders incurred $285,000 of labor costs for construction jobs completed during the month of August, of which $212,000 was direct and $73,000 was indirect supervisory costs. The correct journal entry to record the $73,000 indirect labor for the month is:
A) Debit Supervisor Wage Expense; credit Factory Wages Payable.
B) Debit Factory Overhead; credit Factory Wages Payable.
C) Debit Supervisor Wage Expense; credit Factory Overhead.
D) Debit Factory Wages Payable; credit Factory Overhead.
E) Debit Factory Wage Expense; credit Cash.

Answer: B
Difficulty: 2 Medium
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Understand
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143) Minstrel Manufacturing uses a job order costing system. During one month, Minstrel purchased $198,000 of raw materials on credit; issued materials to production of $195,000 of which $30,000 were indirect. Minstrel incurred a factory payroll of $150,000, of which $40,000 was indirect labor. Minstrel uses a predetermined overhead rate of 150% of direct labor cost. The journal entry to record the purchase of materials is:
A) Debit Raw Materials Inventory $198,000; credit Accounts Payable $198,000.
B) Debit Work in Process Inventory $198,000; credit Accounts Payable $198,000.
C) Debit Raw Materials Inventory $198,000; credit Work in Process Inventory $198,000.
D) Debit Work in Process Inventory $195,000; credit Raw Materials Inventory $195,000.
E) Debit Raw Materials Inventory $198,000; credit Finished Goods Inventory $198,000.

Answer: A
Difficulty: 3 Hard
Topic: Materials Cost Flows and Documents
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Bloom's: Apply
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

144) Minstrel Manufacturing uses a job order costing system. During one month, Minstrel purchased $198,000 of raw materials on credit; issued materials to production of $195,000 of which $30,000 were indirect. Minstrel incurred a factory payroll of $150,000, of which $40,000 was indirect labor. Minstrel uses a predetermined overhead rate of 150% of direct labor cost. The journal entry to record the issuance of materials to production is:
A) Debit Raw Materials Inventory $195,000; credit Accounts Payable $195,000.
B) Debit Work in Process Inventory $195,000; credit Raw Materials Inventory $195,000.
C) Debit Raw Materials Inventory $195,000; credit Work in Process Inventory $195,000.
D) Debit Work in Process Inventory $165,000; debit Factory Overhead $30,000; credit Raw Materials Inventory $195,000.
E) Debit Finished Goods Inventory $195,000; credit Raw Materials Inventory $195,000.

Answer: D
Difficulty: 3 Hard
Topic: Materials Cost Flows and Documents; Overhead Cost Flows
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

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Managerial Accounting 7th edition Wild Test Bank

145) Minstrel Manufacturing uses a job order costing system. During one month, Minstrel purchased $198,000 of raw materials on credit; issued materials to production of $195,000 of which $30,000 were indirect. Minstrel incurred a factory payroll of $150,000, of which $40,000 was indirect labor. Minstrel uses a predetermined overhead rate of 150% of direct labor cost. The journal entry to record the factory payroll is:
A) Debit Work in Process Inventory $150,000; debit Factory Overhead $40,000; credit Factory Wages Payable $190,000.
B) Debit Work in Process Inventory $150,000; credit Cash $150,000.
C) Debit Work in Process Inventory $110,000; debit Factory Overhead $40,000; credit Factory Wages Payable $150,000.
D) Debit Work in Process Inventory $150,000; credit Factory Overhead $40,000; credit Factory Wages Payable $110,000.
E) Debit Work in Process Inventory $110,000; credit Factory Overhead $40,000; credit Factory Wages Payable $150,000.

Answer: C
Difficulty: 3 Hard
Topic: Labor Cost Flows and Documents; Overhead Cost Flows
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

146) Minstrel Manufacturing uses a job order costing system. During one month, Minstrel purchased $198,000 of raw materials on credit; issued materials to production of $195,000 of which $30,000 were indirect. Minstrel incurred a factory payroll of $150,000, of which $40,000 was indirect labor. Minstrel uses a predetermined overhead rate of 150% of direct labor cost. The journal entry to record the payment of the factory payroll is:
A) Debit Work in Process Inventory $150,000; credit Factory Wages Payable $150,000.
B) Debit Work in Process Inventory $150,000; credit Cash $150,000.
C) Debit Factory Wages Payable $150,000; credit Cash $150,000.
D) Debit Factory Overhead $40,000; credit Factory Wages Payable $40,000.
E) Debit Work in Process Inventory $110,000; credit Cash $150,000.

Answer: C
Difficulty: 3 Hard
Topic: Labor Cost Flows and Documents
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Bloom's: Apply
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
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Managerial Accounting 7th edition Wild Test Bank

147) Minstrel Manufacturing uses a job order costing system. During one month Minstrel purchased $198,000 of raw materials on credit; issued materials to production of $195,000 of which $30,000 were indirect. Minstrel incurred a factory payroll of $150,000, of which $40,000 was indirect labor. Minstrel uses a predetermined overhead rate of 150% of direct labor cost. The journal entry to record the application of factory overhead to production is:
A) Debit Work in Process Inventory $225,000; credit Factory Overhead $225,000.
B) Debit Work in Process Inventory $165,000; credit Factory Overhead $165,000.
C) Debit Factory Payroll $150,000; credit Work in Process Inventory $150,000.
D) Debit Factory Overhead $165,000; credit Work in Process Inventory $165,000.
E) Debit Work in Process Inventory $165,000; credit Factory Payroll $165,000.

Answer: B
Explanation: $110,000 × 1.5 = $165,000
Difficulty: 3 Hard
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

148) Minstrel Manufacturing uses a job order costing system. During one month, Minstrel purchased $198,000 of raw materials on credit; issued materials to production of $195,000 of which $30,000 were indirect. Minstrel incurred a factory payroll of $150,000, of which $40,000 was indirect labor. Minstrel uses a predetermined overhead rate of 150% of direct labor cost. The total manufacturing costs added during the period is:
A) $440,000.
B) $470,000.
C) $500,000.
D) $570,000.
E) $540,000.

Answer: A
Explanation: $165,000 + $110,000 + ($110,000 × 1.5) = $440,000
Difficulty: 3 Hard
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
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149) Minstrel Manufacturing uses a job order costing system. During one month, Minstrel purchased $198,000 of raw materials on credit; issued materials to production of $195,000 of which $30,000 were indirect. Minstrel incurred a factory payroll of $150,000, of which $40,000 was indirect labor. Minstrel uses a predetermined overhead application rate of 150% of direct labor cost. If Minstrel incurred total overhead costs of $167,800 during the month, compute the amount of under- or overapplied overhead:
A) $2,800 overapplied.
B) $17,800 underapplied.
C) $2,800 underapplied.
D) $17,800 overapplied.
E) $57,200 overapplied.

Answer: C
Explanation: $167,800 − ($110,000 × 1.5) = $2,800
Difficulty: 3 Hard
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Apply
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

150) Minstrel Manufacturing uses a job order costing system. During one month, Minstrel purchased $198,000 of raw materials on credit; issued materials to production of $195,000 of which $30,000 were indirect. Minstrel incurred a factory payroll of $150,000, of which $40,000 was indirect labor. Minstrel uses a predetermined overhead application rate of 150% of direct labor cost. Minstrel's beginning and ending Work in Process Inventory are $15,500 and $27,000 respectively. Compute the cost of jobs transferred to Finished Goods Inventory.
A) $558,500.
B) $440,000.
C) $413,000.
D) $428,500.
E) $415,000.

Answer: D
Explanation: $165,000 + $110,000 + ($110,000 × 1.5) + 15,500 − $27,000 = $428,500
Difficulty: 3 Hard
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
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151) Finished goods inventory is $190,000. If overhead applied to these goods is $72,000, and the overhead rate is 120% of direct labor, how much direct materials cost was incurred in producing the inventory?
A) $31,600.
B) $58,000.
C) $56,000.
D) $60,000.
E) $86,400.

Answer: B
Explanation: DM + DL + OH = Total cost
DM + ($72,000/1.20) + $72,000 = $190,000
DM + $60,000 + $72,000 = $190,000; DM = $58,000
Difficulty: 3 Hard
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: FN Measurement; BB Critical Thinking

152) Adams Manufacturing allocates overhead to production on the basis of direct labor costs. At the beginning of the year, Adams estimated total overhead of $396,000; materials of $410,000 and direct labor of $220,000. During the year Adams incurred $418,000 in materials costs, $413,200 in overhead costs and $224,000 in direct labor costs. Compute the predetermined overhead rate.
A) 180%.
B) 55.6%.
C) 186%.
D) 184%.
E) 96.6%.

Answer: A
Explanation: OH rate = $396,000/$220,000 = 180%
Difficulty: 3 Hard
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
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AICPA: BB Industry; FN Measurement

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153) Adams Manufacturing allocates overhead to production on the basis of direct labor costs. At the beginning of the year, Adams estimated total overhead of $396,000; materials of $410,000 and direct labor of $220,000. During the year Adams incurred $418,000 in materials costs, $413,200 in overhead costs and $224,000 in direct labor costs. Compute the amount of overhead applied to jobs during the year.
A) $396,000.
B) $424,450.
C) $413,190.
D) $413,200.
E) $403,200.

Answer: E
Explanation: OH rate = $396,000/$220,000 = 180%; Applied = $224,000 × 1.8 = $403,200
Difficulty: 3 Hard
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

154) Adams Manufacturing allocates overhead to production on the basis of direct labor costs. At the beginning of the year, Adams estimated total overhead of $396,000; materials of $410,000 and direct labor of $220,000. During the year Adams incurred $418,000 in materials costs, $413,200 in overhead costs and $224,000 in direct labor costs. Compute the amount of under- or overapplied overhead for the year.
A) $10,000 overapplied.
B) $17,200 overapplied.
C) $10,000 underapplied.
D) $17,200 underapplied.
E) $4,800 underapplied.

Answer: C
Explanation: OH rate = $396,000/$220,000 = 180%
Applied = $224,000 × 1.8 = $403,200; $413,200 − $403,200 = $10,000 underapplied
Difficulty: 3 Hard
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Apply
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155) Using the following accounts and a predetermined overhead rate of 130% of direct labor cost, compute the amount of applied overhead.

Work in Process Inventory

Beginning WIP	35,200	
Direct materials	55,300	
Direct labor	?	
Factory overhead	?	
To finished goods		203,300
Ending WIP	25,200	

Finished Goods Inventory

Beginning FG	5,200	
Cost of Goods Mfg'd	203,300	

A) $78,000.
B) $60,000.
C) $138,000.
D) $71,890.
E) $90,500.

Answer: A
Explanation: $35,200 + 55,300 + DL + OH − 203,300 = $25,200
DL + OH = $25,200 − 35,200 − 55,300 + 203,300
DL + OH = $138,000; DL + 1.3DL = $138,000; 2.3DL = $138,000; DL = $60,000
$60,000 + OH = $138,000; OH = $78,000
Difficulty: 3 Hard
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
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AICPA: FN Measurement; BB Critical Thinking

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156) Portside Watercraft uses a job order costing system. During one month Portside purchased $173,000 of raw materials on credit; issued materials to production of $164,000, of which $24,000 were indirect. Portside incurred a factory payroll cost of $95,000, of which $25,000 was indirect labor. Portside uses a predetermined overhead rate of 170% of direct labor cost. The journal entry to record the issuance of materials to production is:
A) Debit Raw Materials Inventory $153,000; credit Accounts Payable $153,000.
B) Debit Work in Process Inventory $140,000; debit Factory Overhead $24,000; credit Raw Materials Inventory $164,000.
C) Debit Raw Materials Inventory $195,000; credit Work in Process Inventory $195,000.
D) Debit Work in Process Inventory $140,000; debit Raw Materials Inventory $24,000; credit Materials Inventory $164,000.
E) Debit Finished Goods Inventory $140,000; credit Raw Materials Inventory $140,000.

Answer: B
Difficulty: 2 Medium
Topic: Materials Cost Flows and Documents; Overhead Cost Flows
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Understand
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

157) Portside Watercraft uses a job order costing system. During one month Portside purchased $173,000 of raw materials on credit; issued materials to production of $164,000, of which $24,000 were indirect. Portside incurred a factory payroll cost of $95,000, of which $25,000 was indirect labor. Portside uses a predetermined overhead rate of 170% of direct labor cost. The journal entry to record the allocation of factory wages to production is:
A) Debit Work in Process Inventory $95,000; credit Factory Wages Payable $95,000.
B) Debit Work in Process Inventory $95,000; credit Cash $95,000.
C) Debit Factory Wages Payable $95,000; credit Cash $95,000.
D) Debit Work in Process Inventory $70,000; debit Factory Overhead $25,000; credit Factory Wages Payable $95,000.
E) Debit Work in Process Inventory $70,000; debit Factory Overhead $25,000; credit Cash $95,000.

Answer: D
Difficulty: 3 Hard
Topic: Labor Cost Flows and Documents; Overhead Cost Flows
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

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Managerial Accounting 7th edition Wild Test Bank

158) Portside Watercraft uses a job order costing system. During one month Portside purchased $153,000 of raw materials on credit; issued materials to production of $164,000, of which $24,000 were indirect. Portside incurred a factory payroll cost of $95,000, of which $25,000 was indirect labor. Portside uses a predetermined overhead rate of 170% of direct labor cost. The journal entry to record the application of factory overhead to production is:
A) Debit Work in Process Inventory $55,800; credit Factory Overhead $55,800.
B) Debit Work in Process Inventory $161,500; credit Factory Overhead $161,500.
C) Debit Work in Process Inventory $119,000; credit Factory Overhead $119,000.
D) Debit Factory Overhead $119,000; credit Work in Process Inventory $119,000.
E) Debit Work in Process Inventory $95,000; credit Factory Payroll $95,000.

Answer: C
Explanation: $70,000 × 1.7 = $119,000
Difficulty: 3 Hard
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

159) Copy Center pays an average wage of $12 per hour to employees for printing and copying jobs, and allocates $18 of overhead for each employee hour worked. Direct materials are assigned to each job according to actual cost. If Job M-47 used $350 of direct materials and took 20 direct labor hours of labor to complete, what is the total cost that should be assigned to the job?
A) $590
B) $600
C) $380
D) $950
E) $710

Answer: D
Explanation: Direct materials $350 + Direct labor ($12 × 20) + Factory overhead ($18 × 20) = $350 + $240 + $360 = $950
Difficulty: 2 Medium
Topic: Pricing for Services
Learning Objective: 02-A1 Apply job order costing in pricing services.
Bloom's: Understand
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AICPA: BB Industry; FN Measurement

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160) Copy Center pays an average wage of $12 per hour to employees for printing and copying jobs, and allocates $18 of overhead for each employee hour worked. Direct materials are assigned to each job according to actual cost. Jobs are marked up 20% above total manufacturing cost to determine the selling price. If Job M-47 used $350 of direct materials and took 20 direct hours of labor to complete, what is the selling price of the job?
A) $852
B) $1,140
C) $456
D) $720
E) $708

Answer: B
Explanation: Direct materials $350 + Direct labor ($12 × 20) + Factory overhead ($18 × 20) = $350 + $240 + $360 = $950 Total cost
$950 × 120% = $1,140
Difficulty: 2 Medium
Topic: Pricing for Services
Learning Objective: 02-A1 Apply job order costing in pricing services.
Bloom's: Understand
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AICPA: BB Industry; FN Measurement

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161) Match the following terms to the appropriate definition.

A. Cost accounting system
B. Time ticket
C. Finished Goods Inventory
D. Materials requisition
E. Underapplied overhead
F. Work in Process Inventory
G. Overapplied overhead
H. Job cost sheet
I. Job order production
J. Predetermined overhead rate
K. Materials ledger card

_____ 1. The production of products in response to special orders; also called customized production.
_____ 2. Accumulates production costs and assigns them to products and services.
_____ 3. The amount by which the overhead applied to jobs in a period with the predetermined overhead rate exceeds the actual overhead incurred in a period.
_____ 4. An asset account where costs are accumulated while jobs are being produced.
_____ 5. The rate established prior to the beginning of a period that relates estimated overhead to an activity base such as estimated direct labor and is used to assign overhead cost to a job.
_____ 6. An asset account where costs of completed jobs are kept until the jobs are delivered to customers.
_____ 7. A source document that production managers use to request materials needed for manufacturing and that is used to assign materials costs to specific jobs or to overhead.
_____ 8. A perpetual record that is updated each time units of raw material are purchased and issued for use in production.
_____ 9. A source document that is used to report how much time an employee spent working on a job or on overhead activities and the labor costs to assign to jobs or overhead.
_____10. The amount by which actual overhead incurred in a period exceeds the overhead applied to jobs with the predetermined overhead rate.
_____11. A cost record maintained for each job in a job order costing system; it shows the costs of direct materials, direct labor, and overhead for each job.

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Answer: 1. I; 2. A; 3. G; 4. F; 5. J; 6. C; 7. D; 8. K; 9. B; 10. E; 11. H
Difficulty: 1 Easy
Topic: Job Order Costing; Job Cost Sheet; Materials Cost Flows and Documents; Labor Cost Flows and Documents; Overhead Cost Flows; Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-C1 Describe important features of job order production.; 19-C2 Explain job cost sheets and how they are used in job order costing.; 19-P1 Describe and record the flow of materials costs in job order costing.; 19-P2 Describe and record the flow of labor costs in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.; 19-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Remember
AACSB/Accessibility: Communication / Keyboard Navigation
AICPA: BB Industry; FN Measurement

162) What is a cost accounting system? What are the two basic types of cost accounting systems?

Answer: A cost accounting system accumulates production costs and assigns them to products and services. It also provides timely information about inventories and costs. The two basic types of cost accounting systems are job order costing and process costing.
Difficulty: 2 Medium
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Understand
AACSB/Accessibility: Communication / Keyboard Navigation
AICPA: BB Industry; FN Measurement

163) Describe the purpose of a job cost sheet, and explain what information is found on the job cost sheet.

Answer: A job cost sheet is a cost record that is maintained for each job. The job cost sheet will include the job number, the customer name, and the costs of the job separated into direct materials, direct labor, and overhead.
Difficulty: 2 Medium
Topic: Job Order Sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Bloom's: Understand
AACSB/Accessibility: Communication / Keyboard Navigation
AICPA: BB Industry; FN Measurement

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164) Explain how a service firm, such as an advertising agency, might use job order costing.

Answer: When jobs in a service firm such as an advertising agency have unique requirements, a job order costing system is appropriate. The service firm would estimate the labor required for each customer order, and then add overhead to the estimated labor based on a predetermined overhead rate. This estimated total cost could be used to prepare a bid for a potential customer. Cost of the job is one factor to consider when determining a potential selling price (bid) for a service.
Difficulty: 2 Medium
Topic: Pricing for Services
Learning Objective: 02-A1 Apply job order costing in pricing services.
Bloom's: Understand
AACSB/Accessibility: Communication / Keyboard Navigation
AICPA: BB Industry; FN Decision Making

165) Describe how materials flow through a job order costing system, and identify the key documents in the system.

Answer: When materials are received from suppliers, they are inspected and counted, and the information is recorded on a *receiving report*. The *materials ledger card* is a perpetual record that keeps track of each item of raw materials. When materials are needed for production, a *materials requisition* is prepared and the materials are issued into production. Direct materials are added to the *job cost sheet*. Indirect materials are added to overhead.
Difficulty: 2 Medium
Topic: Materials Cost Flows and Documents
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Bloom's: Understand
AACSB/Accessibility: Communication / Keyboard Navigation
AICPA: BB Industry; FN Measurement

166) Describe the flow of the raw materials, both direct and indirect, through the inventory accounts from purchase to use.

Answer: When raw materials are purchased, the cost is debited to Raw Materials Inventory. When materials are requisitioned for use, the direct materials are moved from Raw Materials Inventory to Work in Process Inventory and the indirect materials are moved from Raw Materials Inventory to the Factory Overhead account.
Difficulty: 2 Medium
Topic: Materials Cost Flows and Documents
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Bloom's: Understand
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167) Describe the flow of labor costs in a job order costing system, and identify the documents used in the system.

Answer: Labor costs are classified as either direct or indirect. The flow of direct labor costs in a job order costing system begins by employee tracking their hours worked to specific jobs using *time tickets*. Employees who perform work classified as indirect labor also use time tickets, but their work is not assigned to individual jobs, but to overhead.
Difficulty: 2 Medium
Topic: Labor Cost Flows and Documents
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Bloom's: Understand
AACSB/Accessibility: Communication / Keyboard Navigation
AICPA: BB Industry; FN Measurement

168) Describe the flow of the employee labor, both direct and indirect, through the inventory accounts.

Answer: Direct labor is assigned to jobs using time tickets and is recorded in Work in Process Inventory as it is incurred. The indirect labor that comes from time tickets or salary contracts is recorded in the Factory Overhead account.
Difficulty: 2 Medium
Topic: Labor Cost Flows and Documents; Overhead Cost Flows
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Understand
AACSB/Accessibility: Communication / Keyboard Navigation
AICPA: BB Industry; FN Measurement

169) Explain what a predetermined overhead rate is, how it is calculated, and why it is used.

Answer: A predetermined overhead rate is used to apply factory overhead costs to jobs produced during the period. It is calculated by dividing estimated overhead costs for a period by an activity base such as estimated direct labor hours. It is used because overhead costs benefit all jobs and cannot be directly related to any one job. Estimated overhead is used to provide timely information for decision making.
Difficulty: 2 Medium
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Understand
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170) Explain why the Factory Overhead account for a company may have a difference between the amount debited and the amount credited, resulting in an end of period balance prior to adjustment.

Answer: If a company incurs more actual overhead than it applies to jobs during the period, the Factory Overhead will have an ending debit balance. If a company applies more overhead to jobs than it actually incurs, Factory Overhead will have an ending credit balance.
Difficulty: 2 Medium
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Understand
AACSB/Accessibility: Communication / Keyboard Navigation
AICPA: BB Industry; FN Measurement

171) How do manufacturing firms adjust the overapplied or underapplied factory overhead account at the end of an accounting period?

Answer: The amount of under- or overapplied overhead is closed to Cost of Goods Sold.
Difficulty: 2 Medium
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Understand
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172) Merker Manufacturing Company has the following job cost sheets on file. They represent jobs that have been worked on during April of the current year. This table summarizes information provided on each sheet:

Number	Total Cost Incurred	Status of Job
544	$15,050	Finished and delivered
545	$22,400	Finished and delivered
546	$ 7,500	Finished and unsold
547	$ 4,300	Finished and delivered
548	$33,000	Unfinished
549	$62,000	Finished and unsold
550	$14,600	Unfinished
551	$22,200	Finished and delivered
552	$ 3,600	Finished and unsold
553	$ 1,000	Unfinished

(a) What is the cost of goods sold for the month of April?
(b) What is the cost of the Work in Process inventory on April 30?
(c) What is the cost of the finished goods inventory on April 30?

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Answer:
(a) Cost of goods sold for April:

Number	Total Cost Incurred	Status of Job
544	$15,050	Finished and delivered
545	$22,400	Finished and delivered
547	$ 4,300	Finished and delivered
551	22,200	Finished and delivered
Total	$63,950	

(b) Cost of the Work in Process inventory on April 30:

Number	Total Cost Incurred	Status of Job
548	33,000	Unfinished
550	$14,600	Unfinished
553	1,000	Unfinished
Total	$48,600	

(c) Cost of the finished goods inventory on April 30:

Number	Total Cost Incurred	Status of Job
546	$7,500	Finished and unsold
549	62,000	Finished and unsold
552	3,600	Finished and unsold
Total	$73,100	

Difficulty: 3 Hard
Topic: Job Cost Sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Bloom's: Apply
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
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173) Luna Manufacturing Company has the following job cost sheets on file. They represent jobs that have been worked on during September of the current year. This table summarizes information provided on each sheet:

Number	Total Cost Incurred	Status of Job
951	$ 4,200	Finished and delivered
952	$ 7,700	Unfinished
953	$ 9,300	Finished and unsold
954	$ 11,100	Finished and delivered
955	$ 3,000	Finished and unsold
956	$ 5,500	Finished and delivered
957	$ 35,000	Unfinished
958	$ 3,200	Finished and delivered
959	$ 500	Unfinished
960	$ 22,110	Unfinished
961	$ 7,200	Finished and delivered
962	$ 8,500	Unfinished
963	$ 11,200	Finished and unsold

(a) What is the cost of the Work in Process inventory on September 30?
(b) What is the cost of the finished goods inventory on September 30?
(c) What is the cost of goods sold for the month of September?

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Answer:
(a) Cost of the Work in process inventory on September 30:

Number	Total Cost Incurred	Status of Job
952	$ 7,700	Unfinished
957	35,000	Unfinished
959	500	Unfinished
960	22,110	Unfinished
962	8,500	Unfinished
Total	$ 73,810	

(b) Cost of the finished goods inventory on September 30:

Number	Total Cost Incurred	Status of Job
953	$ 9,300	Finished and unsold
955	3,000	Finished and unsold
963	11,200	Finished and unsold
Total	$ 23,500	

(c) Cost of goods sold for September:

Number	Total Cost Incurred	Status of Job
951	$ 4,200	Finished and delivered
954	11,100	Finished and delivered
956	5,500	Finished and delivered
95	3,200	Finished and delivered
961	7,200	Finished and delivered
Total	$ 31,200	

Difficulty: 3 Hard
Topic: Job Cost Sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Bloom's: Apply
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174) Chung Corporation uses a job order costing system. Five jobs were worked on during the current year. The predetermined overhead rate is 20% of direct labor costs. The following cost information is available (all materials and time ticket information applies to direct costs):

Job	Materials Requisitions	Time Tickets
101	$66,000	$32,000
102	$63,000	$74,000
103	$39,000	$50,000
104	$32,000	$36,000
105	$53,000	$68,000

Part 1—Complete job cost sheets for each job.

Job No. 101	Job No. 102	Job No. 103
Materials	Materials	Materials
Labor	Labor	Labor
Overhead	Overhead	Overhead
Total Cost	Total Cost	Total Cost
Status *In Process*	Status *Sold*	Status *Finished*

Job No. 104	Job No. 105
Materials	Materials
Labor	Labor
Overhead	Overhead
Total Cost	Total Cost
Status *Sold*	Status *Finished*

Part 2—Identify the amounts of each of the following accounts at the end of the period

a. Work in Process_____
b. Finished Goods_____
c. Cost of Goods Sold_____

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Answer:
Part 1

Job No. 101		Job No. 102		Job No. 103	
Materials	$ 66,000	Materials	$ 63,000	Materials	$ 39,000
Labor	$ 32,000	Labor	$ 74,000	Labor	$ 50,000
Overhead	$ 6,400	Overhead	$ 14,800	Overhead	$ 10,000
Total Cost	$104,400	Total Cost	$151,800	Total Cost	$ 99,000
Status	*In Process*	Status	*Sold*	Status	*Finished*

Job No. 104		Job No. 105	
Materials	$32,000	Materials	$53,000
Labor	$36,000	Labor	$68,000
Overhead	$7,200	Overhead	$13,600
Total Cost	$75,200	Total Cost	$134,600
Status	*Sold*	Status	*Finished*

Part 2
a. Work in Process: $104,400 (Job 101)
b. Finished Goods: $233,600 (Job 103 & Job 105)
c. Cost of Goods Sold: $227,000 (Job 102 & Job 104)
Difficulty: 3 Hard
Topic: Job Cost Sheet; Overhead Cost Flows
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.
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175) The following data relates to the Mass Company's first operating period. Calculate the total cost of goods sold for each product.

	Cost/unit		Units		
Product	Direct Materials	Direct Labor	Produced	Ending Inventory	Overhead rate (Percent of Direct Labor cost)
A	$10	$12	215	115	60%
B	8	15	330	180	40%
C	14	10	250	200	80%

Answer:

	A	B	C
Direct materials	$10.00	$ 8.00	$14.00
Direct labor	12.00	15.00	10.00
Overhead*	7.20	6.00	8.00
Total cost	$29.20	$29.00	$32.00
Units sold**	x 100	x 150	x 50
Cost of goods sold	$2,920	$4,350	$1,600

* Overhead applied:
A: $12.00 * 60% = $7.20; B: $15.00 * 40% = $6.00; C: $10.00 * 80% = $8.00

** Units sold
A: 215 produced – 115 in ending inventory = 100 sold
B: 330 produced – 180 in ending inventory = 150 sold
C: 250 produced – 200 in ending inventory = 50 sold
Difficulty: 3 Hard
Topic: Job Cost Sheet; Overhead Cost Flows
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.
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176) Southwick Company uses a job order costing system. On November 1, $15,000 of direct materials and $3,500 of indirect materials were requisitioned for production. Prepare the general journal entries to record this requisition.

Answer:

11/1	Work in Process Inventory ……	15,000	
	Raw Materials Inventory ……		15,000
	Factory Overhead ……	3,500	
	Raw Materials Inventory ……		3,500

Difficulty: 2 Medium
Topic: Materials Cost Flows and Documents; Overhead Cost Flows
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Understand
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177) A company that uses a job order costing system incurred $10,000 of factory payroll during May. Prepare the May 31 entry assuming $8,000 is direct labor and $2,000 is indirect labor.

Answer:

May 31	Work in Process Inventory ……	8,000	
	Factory Wages Payable ……		8,000
	Factory Overhead ……	2,000	
	Factory Wages Payable ……		2,000

Difficulty: 2 Medium
Topic: Labor Cost Flows and Documents; Overhead Cost Flows
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Understand
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178) Time tickets for factory employees during the month of August are summarized as follows:

Job 919……	$ 9,800
Job 920……	14,650
Job 921……	12,250
Job 922……	16,000
Total direct labor…….	$52,700
Indirect labor……...	16,800
Total labor cost……...	$ 69,500

Prepare the necessary journal entries to record factory payroll for direct and indirect labor.

Answer:

Work in Process ……...	52,700	
Factory Wages Payable ……		52,700
Factory Overhead ……..	16,800	
Factory Wages Payable ……		16,800

Difficulty: 2 Medium
Topic: Labor Cost Flows and Documents; Overhead Cost Flows
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.
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179) Chumley Advertising Agency contracted with a company to prepare an ad campaign. Chumley uses a job order costing system. Chumley estimates that the job will take 140 designer hours at $90 per hour and 85 staff hours at $45 per hour. Chumley uses two overhead rates in applying overhead to jobs: Designer-related at $100 per designer hour and staff-related at $50 per staff hour. Determine the total estimated cost for this job.

Answer:

Direct labor:		
Designers (140 hours @ $90 per hour)……	$12,600	
Staff (85 hours @ $45 per hour)……	3,825	
Total direct labor……		$16,425
Overhead:		
Designer-related (140 hours @ $100 per hour)	$14,000	
Staff-related (85 hours @ $50 per hour)……	4,250	
Total overhead……		18,250
Total estimated cost……		$34,675

Difficulty: 3 Hard
Topic: Pricing Services in a Job Order Cost System
Learning Objective: 02-A1 Apply job order costing in pricing services.
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180) KL Company uses a job order costing system. During the month of July, the following events occurred:
(a) Purchased raw materials on credit, $32,000.
(b) Raw materials requisitioned: $25,800 as direct materials and $10,500 indirect materials.
(c) Recorded the factory payroll totaling $37,700, which includes $8,200 indirect labor, to jobs and overhead.
Make the necessary journal entries to record the above transactions and events.

Answer:

(a)	Raw Materials Inventory.....	32,000	
	Accounts Payable.....		32,000
(b)	Work in Process Inventory.....	25,800	
	Raw Materials Inventory.....		25,800
	Factory Overhead.....	10,500	
	Raw Materials Inventory.....		10,500
(c)	Work in Process Inventory.....	29,500	
	Factory Wages Payable.....		29,500
	Factory Overhead.....	8,200	
	Factory Wages Payable.....		8,200

Difficulty: 3 Hard
Topic: Materials Cost Flows and Documents; Labor Cost Flows and Documents; Overhead Cost Flows
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.; 19-P2 Describe and record the flow of labor costs in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.
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181) EXP, Inc. had the following activities during its most recent period of operations:
(a) Purchased raw materials on account for $140,000 (both direct and indirect materials are recorded in the Raw Materials Inventory account).
(b) Issued raw materials to production of $130,000 (80% direct and 20% indirect).
(c) Incurred factory labor costs of $250,000; allocated the factory labor costs to production (70% direct and 30% indirect).
(d) Incurred factory utilities costs of $20,000; this amount is still payable.
(e) Applied overhead at 80% of direct labor costs.
(f) Recorded factory depreciation, $22,000.

Prepare journal entries to record the above transactions.

Answer:

(a)	Raw Materials Inventory.....	140,000	
	Accounts Payable.....		140,000
(b)	Work in Process Inventory.....	104,000	
	Raw Materials Inventory.....		104,000
	Factory Overhead.....	26,000	
	Raw Materials Inventory.....		26,000
(c)	Work in Process Inventory.....	175,000	
	Factory Wages Payable.....		175,000
	Factory Overhead.....	75,000	
	Factory Wages Payable.....		75,000
(d)	Factory Overhead.....	20,000	
	Accounts Payable.....		20,000
(e)	Work in Process Inventory.....	140,000	
	Factory Overhead.....		140,000
	($175,000 * 80% = $140,000)		
(f)	Factory Overhead.....	22,000	
	Accumulated Depreciation–Factory.....		22,000

Difficulty: 3 Hard
Topic: Materials Cost Flows and Documents; Labor Cost Flows and Documents; Overhead Cost Flows
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.; 19-P2 Describe and record the flow of labor costs in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.
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182) Lock Co. applies factory overhead to production on the basis of direct labor costs. Assume that at the beginning of the current year the company estimated that direct material costs would be $178,800, direct labor costs would be $154,000, and factory overhead costs would be $231,000.

(1) If the $28,000 cost of Lock's Work in Process Inventory included $5,200 of direct labor cost, what amount of direct materials cost was included?
(2) If instead $8,100 of the company's $34,300 Finished Goods Inventory was direct materials cost, determine the direct labor cost and factory overhead cost of the finished goods inventory.

Answer:
(1) Overhead rate: ($231,000/$154,000) = 150%

Total cost of work in process inventory ……		$28,000
Deduct: Direct labor ……..	$5,200	
Factory overhead ($5,200 * 150%) ……	7,800	13,000
Direct materials …….		$15,000

(2) The overhead rate is 150%. (part 1)

Total cost of finished goods inventory ……..	$34,300
Direct materials …….	8,100
Direct labor and factory overhead costs ……	$26,200

Direct labor + 1.5 (Direct Labor) = $26,200
Direct Labor = $10,480

OH = DL * 1.5
OH = $10,480 * 1.5
OH = $15,720
Difficulty: 3 Hard
Topic: Materials Cost Flows and Documents; Labor Cost Flows and Documents; Overhead Cost Flows
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.; 19-P2 Describe and record the flow of labor costs in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.
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183) Prepare journal entries to record the following transactions and events for April using a job order costing system.
(a) Purchased raw materials on credit, $69,000.
(b) Raw materials requisitioned: $26,000 direct and $5,400 indirect.
(c) Factory payroll totaled $46,000, including $9,500 indirect labor.
(d) Paid other actual overhead costs totaling $14,500 cash.
(e) Applied overhead totaling $28,200.
(f) Finished and transferred jobs totaling $77,500.
(g) Jobs costing $58,800 were sold on credit for $103,000.

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Answer:

(a)	Raw Materials Inventory.....	69,000	
	Accounts Payable.....		69,000
(b)	Work in Process Inventory.....	26,000	
	Raw Materials Inventory.....		26,000
	Factory Overhead.....	5,400	
	Raw Materials Inventory.....		5,400
(c)	Work in Process Inventory.....	36,500	
	Factory Wages Payable.....		36,500
	Factory Overhead.....	9,500	
	Factory Wages Payable.....		9,500
(d)	Factory Overhead.....	14,500	
	Cash.....		14,500
(e)	Work in Process Inventory.....	28,200	
	Factory Overhead.....		28,200
(f)	Finished Goods Inventory.....	77,500	
	Work in Process Inventory.....		77,500
(g)	Accounts Receivable.....	103,000	
	Sales.....		103,000
	Cost of Goods Sold.....	58,800	
	Finished Goods Inventory.....		58,800

Difficulty: 3 Hard
Topic: Materials Cost Flows and Documents; Labor Cost Flows and Documents; Overhead Cost Flows
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.; 19-P2 Describe and record the flow of labor costs in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.
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184) A company's ending inventory of finished goods has a cost of $45,000 and consists of 750 units. If the overhead applicable to these goods is $8,400, and overhead is applied at the rate of 60% of direct labor cost, what is the cost of the direct materials used to produce these units?

Answer:

Factory overhead in finished goods inventory …….	$ 8,400
Direct labor in finished goods inventory ($8,400/0.60) …..	14,000
Total factory overhead and direct labor ……	22,400
Total job cost …….	$45,000
Factory overhead and direct labor …….	22,400
Direct materials …….	$22,600

Difficulty: 3 Hard
Topic: Materials Cost Flows and Documents; Labor Cost Flows and Documents; Overhead Cost Flows
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.; 19-P2 Describe and record the flow of labor costs in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

185) Production of one unit of Product BJM used $27.50 of direct materials and $21.00 of direct labor. The unit sold for $76.00 and was assigned overhead at a rate of 30% of direct labor costs. What is the gross profit on the sale of one unit of Product BJM?

Answer:

Selling price per unit		$76.00
Direct materials	$27.50	
Direct labor	21.00	
Overhead applied ($21 ∗.3)	6.30	
Total job cost per unit		54.80
Gross profit per unit		$21.20

Difficulty: 3 Hard
Topic: Materials Cost Flows and Documents; Labor Cost Flows and Documents; Overhead Cost Flows
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.; 19-P2 Describe and record the flow of labor costs in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
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186) A company uses a job order costing system and applies overhead on the basis of direct labor cost. A summary of the company's Work in Process Inventory account for December appears below.

Work In Process

Date	Explanation	PR	Debit	Credit	Balance
Dec. 1					73,800
Dec.	Direct Materials	G-20	235,800		309,600
Dec.	Direct Labor	G-20	117,000		426,600
Dec.	Factory Overhead	G-20	187,200		613,800
Dec.	Job No. 5 completed	G-8		90,900	522,900
Dec.	Job No. 6 completed	G-10		131,400	391,500
Dec.	Job No. 7 completed	G-12		73,800	317,700
Dec. 31	Job No. 8 completed	G-15		168,300	149,400

Fill in the blanks for the following:

(1) The total cost of the direct materials, direct labor, and factory overhead for jobs still in progress is $_____.
(2) The company's overhead application rate is _____%
(3) Job No. 6 had $26,550 of direct labor cost. Therefore, the job must have had $_____ of direct materials cost.
(4) Job No. 8 had $73,998 of direct materials cost. Therefore, the job must have had $_____ of factory overhead cost.

Answer:
(1) $149,400 (ending balance of account)
(2) ($187,200/$117,000) ∗ 100% = 160%
(3) $26,550 ∗ 160% = $42,480; $131,400 – $26,550 – $42,480 = $62,370
(4) $168,300 – $73,998 = $94,302 Direct labor + OH; $94,302/2.60 = $36,270
OH = $94,302 – $36,270 = $58,032
Difficulty: 3 Hard
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
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187) Heintz Company's job order costing system applies overhead based on direct labor costs. The company's manufacturing costs for the current year were: direct materials, $108,000; direct labor, $144,000; and factory overhead, $36,000. At year-end, the total cost of Work in Process is $38,000, which includes $12,000 of direct labor cost. What amount of direct material cost is included in the ending Work in Process inventory?

Answer:

Direct labor in work in process inventory …….	$12,000
Factory overhead in work in process inventory ($12,000 * . 25)	3,000
Total factory overhead and direct labor ……..	15,000
Total cost in work in process inventory …….	$38,000
Factory overhead and direct labor ……..…….	15,000
Direct materials …….……	$23,000

Overhead rate = $36,000/$144,000 = .25%

Difficulty: 3 Hard
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

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188) MOB Corp. applies overhead on the basis of direct labor costs. Its bookkeeper accidentally deleted most of the journal entries that had been recorded for January. A printout of the general ledger (in T-account form) showed the following:

Raw Materials Inventory		Work in Process Inventory	
DR	CR	DR	CR
Ba1.1/1 10,000		Bal 1/1 4,000	f)
a)	b)	c) d) e)	
Bal 17,500		(Bal 1/31) g)	

Accounts Payable		Finished Goods Inventory	
DR	CR	DR	CRR
h)	Bal. 1/1 5,000 i) Bal. 1/31 9,000	j) k) Bal. 1/31 15,000	l)

Factory Overhead		Cost of Goods Sold	
DR	CR	DR	CR
m)	n)	o)	

A review of the prior year's financial statements, the current year's budget, and January's source documents produced the following information:
(1) Accounts Payable is used for raw material purchases only. January purchases were $49,000.
(2) Factory overhead costs for January were $17,000 none of which is indirect materials.
(3) The January 1 balance for finished goods inventory was $10,000.
(4) There was a single job in process at January 31 with a cost of $2,000 for direct materials and $1,500 for direct labor.
(5) Total cost of goods manufactured for January was $90,000.
(6) All direct laborers earn the same rate ($13/hour). During January, 2,500 direct labor hours were worked.
(7) The predetermined overhead rate is based on direct labor costs. Budgeted (expected) overhead for the year is $195,000 and budgeted (expected) direct labor is $390,000.

Fill in the missing amounts a) through o) above in the T-accounts above.

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Answer:

Raw Materials Inventory		Work in Process Inventory	
DR	CR	DR	CR
Bal 1/1 10,000		Bal 1/1 4,000	
a) 49,000	b) 41,500	c) DM 41,500	
		d) DL 32,500	
		e) OH 16,250	f) COGM 90,000
Bal 1/31 17,500		g) Bal 1/314,250	

Accounts Payable		Finished Goods Inventory	
DR	CR	DR	CR
h) 45,000	Bal. 1/1 5,000	j) Bal 1/110,000	
	i) 49,000		
		k) COGM90,000	1) 85,000
	Bal. 1/31 9,000	Bal. 1/31 15,000	

Factory Overhead		Cost of Goods Sold	
DR	CR	DR	CR
m) OH 17,000 (actual)	n) OH 16,250 (applied)	o) 85,000	

Difficulty: 3 Hard
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Critical Thinking; FN Measurement

189) Chen Service applied overhead on the basis of direct labor costs during the current year. Overhead applied was $16,500. Actual overhead incurred was $17,200.
Prepare the adjusting journal entry for over- or underapplied overhead .

Answer:

(a)	Cost of Goods Sold……	700	
	Factory Overhead ……		700

Difficulty: 3 Hard
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Apply
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
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190) Calwell Corp. uses a job order costing system. Four jobs were started during the current year. The following is a record of the costs incurred:

Job #	Direct Material Used	Direct Labor Used	Direct Labor Hours Used
1010	$45,000	$72,000	8,000
1011	59,000	77,000	7,000
1012	35,000	30,000	3,000
1013	26,000	40,000	5,000

Actual overhead costs were $55,800. The predetermined overhead rate is $2.40 per direct labor hour. During the year, Jobs 1010, 1012, and 1013 were completed. Also, Jobs 1010 and 1013 were sold for $387,000. Assuming that this is Calwell's first year of operations:

(a) Make the necessary journal entries to charge the costs to the jobs started and to record the completion and sale of finished jobs.
(b) Calculate the ending balances in the Work in Process Inventory, Finished Goods Inventory, and Factory Overhead accounts. Does the Factory Overhead account balance indicate over- or underapplied overhead?

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Answer:

Job No.	Direct materials	Direct labor	Overhead applied*	Total job cost
1010	$45,000	$72,000	$19,200	$136,200
1011	59,000	77,000	16,800	152,800
1012	35,000	30,000	7,200	72,200
1013	26,000	40,000	12,000	78,000
Totals	$165,000	$219,000	$55,200	$439,200

Job 1010: 8,000 hours ∗ $2.40/hour = $19,200
Job 1011: 7,000 hours ∗ $2.40/hour = $16,800
Job 1012: 3,000 hours ∗ $2.40/hour = $7,200
Job 1013: 5,000 hours ∗ $2.40/hour = $12,000

(a)

Work in Process Inventory ……	165,000	
Raw Materials Inventory ……		165,000
Work in Process Inventory ……	219,000	
Factory Wages Payable ……		219,000
Work in Process Inventory……	55,200	
Factory Overhead……		55,200
Finished Goods Inventory……	286,400	
Work in Process Inventory……		286,400
($136,200 + $72,200 + $78,000) = $286,400		
Cost of Goods Sold……	214,200	
Finished Goods Inventory……		214,200
($136,200 + $78,000 = $214,200)		
Accounts Receivable……	387,000	
Sales……		387,000

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(b)

Work in Process Inventory: Job 1011	$152,800	
Finished Goods: Job 1012	$72,200	
Factory Overhead:		
Applied	$55,200	
Actual	55,800	
	$ 600	debit balance (underapplied)

Difficulty: 3 Hard
Topic: Materials Cost Flows and Documents; Labor Cost Flows and Documents; Overhead Cost Flows; Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.; 19-P2 Describe and record the flow of labor costs in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.; 19-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Apply
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

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191) The following information is available for Annum Corporation for the current year:

Cost of goods sold ……..	$292,000
Depreciation of factory equipment …….	25,200
Direct labor ……..……	64,750
Finished goods inventory, beginning ….	45,000
Factory insurance ……	11,200
Factory utilities ……	16,800
Goods transferred from Work in Process Inventory to Finished Goods Inventory ……	285,150
Indirect labor ……	8,400
Raw materials inventory, beginning….....	4,200
Raw materials purchased …….	116,200
Raw materials used in production (includes $7,000 of indirect materials) ….....	121,800
Rent on factory building ……...	22,400

Annum Company uses a predetermined overhead rate of 150% of direct labor cost. Prepare journal entries for the following transactions and events.

(a) Purchase of raw materials on account.
(b) Assignment of materials costs to Work in Process Inventory and Factory Overhead.
(c) Assignment of factory payroll to Work in Process Inventory and Factory Overhead.
(d) Recording of other factory overhead. Assume that all items other than depreciation are paid in cash.
(e) Apply factory overhead to Work in Process Inventory.
(f) Transfer of goods completed to Finished Goods Inventory.
(g) Recording cost of goods sold.
(h) Assignment of over- or underapplied overhead to Cost of Goods Sold.

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Answer:

a.	Raw Materials Inventory …….	116,200	
	Accounts Payable ……..		116,200
b.	Work in Process Inventory …….	114,800	
	Raw Materials Inventory……..…		114,800
	Factory Overhead ……..……	7,000	
	Raw Materials Inventory…….……		7,000
c.	Work in Process Inventory ……..……	64,750	
	Factory Overhead ……	8,400	
d.	Factory Overhead ……	75,600	
	Accumulated Depreciation-Factory Equipment...		25,200
	Cash ……		50,400
	($25,200 + $11,200 + $16,800 + $22,400 = $75,600)		
e.	Work in Process Inventory ……..……	97,125	
	Factory Overhead (64,750 * 150%) ……		97,125
f.	Finished Goods Inventory ……	285,150	
	Work in Process Inventory ……		285,150
g.	Cost of Goods Sold ……..…	292,000	
	Finished Goods Inventory ……		292,000
h.	Factory Overhead ……	6,125	
	Cost of Goods Sold ……		6,125

Actual Overhead = $7,000 + 8,400 + 75,600 =	$91,000
Overhead applied =	$97,125
Overapplied overhead =	$ 6,125

Difficulty: 3 Hard
Topic: Materials Cost Flows and Documents; Labor Cost Flows and Documents; Overhead Cost Flows; Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.; 19-P2 Describe and record the flow of labor costs in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.; 19-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Apply
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

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192) A company's predetermined overhead rate is 130% of direct labor cost. How much overhead would be allocated to a job that required total direct labor costs of $60,000?

Answer: $60,000 * 130% = $78,000
Difficulty: 2 Medium
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Understand
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

193) A company's predetermined overhead rate is applied at 150% of direct materials cost. How much overhead would be allocated to a job that used total direct materials costs was $40,000?

Answer: $40,000 * 150% = $60,000
Difficulty: 2 Medium
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Understand
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194) Selected information for Singh Corp. for the year follows:

Estimated factory overhead……..	$132,000	
Estimated direct labor hours……..	55,000	hours
Estimated machine hours……..	41,250	hours
Estimated direct labor cost……..	$825,000	
Actual factory overhead incurred during the year……..	$144,000	

Calculate the predetermined overhead rate using:

(a) Estimated direct labor hours.
(b) Estimated direct labor cost.
(c) Estimated machine hours.

Answer:
(a) $132,000/55,000 = $2.40 per direct labor hour
(b) $132,000/$825,000 = 16% of direct labor cost
(c) $132,000/41,250 = $3.20 per machine hour
Difficulty: 3 Hard
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

195) A manufacturing company applies overhead using direct labor cost. The company's Work in Process Inventory account has a $15,000 debit balance after all posting is completed, and the cost sheet of the one job still in process shows direct material costs of $6,600 and direct labor costs of $3,000. What is the company's predetermined overhead rate?

Answer: ($15,000 – $6,600 – $3,000)/$3,000 = 180%
Difficulty: 3 Hard
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
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196) Nutley Company uses a job order cost system and last period incurred $70,000 of overhead and $100,000 of direct labor. Nutley estimates that its overhead next period will be $65,000. The company also expects to incur $100,000 of direct labor. If Nutley bases its overhead applied on direct labor cost, what should be the predetermined overhead rate for the next period?

Answer: $\frac{\$65,000}{\$100,000} = 65\%$

Difficulty: 1 Easy
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Remember
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

197) A company's job order costing system applies overhead based on direct labor cost. The company's estimated production costs were: direct labor, $57,600; direct materials, $76,800; and factory overhead, $9,600. Calculate the company's predetermined overhead rate.

Answer: $\frac{\$9,600}{\$57,600} = 16.7\%$

Difficulty: 3 Hard
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
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198) The job cost sheet for Job number 83-421 includes the following information:

DIRECT MATERIALS:
7/12 Requisition R88-566: 20 units @ $ 3.50 per unit
7/13 Requisition R88-576: 18 units @ $ 5.00 per unit
7/13 Requisition R88-578: 4 units @ $25.00 per unit
7/14 Requisition R88-591: 40 units @ $ 1.25 per unit

DIRECT LABOR:
7/12 Employee 19: 8 hours @ $ 9.00 per hour
7/13 Employee 19: 6 hours @ $ 9.00 per hour
7/13 Employee 37: 6 hours @ $ 8.00 per hour
7/14 Employee 19: 5 hours @ $ 9.00 per hour
7/14 Employee 92: 5 hours @ $11.00 per hour

FACTORY OVERHEAD: Assigned at 150% of direct labor cost.

What is the total cost of Job number 83-421?

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Answer:
Total cost of job:

DIRECT MATERIALS:		
7/12 Requisition R88-566: 20 units @ $ 3.50 per unit …	=	$ 70
7/13 Requisition R88-576: 18 units @ $ 5.00 per unit …	=	90
7/13 Requisition R88-578: 4 units @ $25.00 per unit …	=	100
7/14 Requisition R88-591: 40 units @ $ 1.25 per unit …	=	50
Total direct materials cost …….	=	$310
DIRECT LABOR:		
7/12 Employee 19: 8 hours @ $ 9.00 per hour ……	=	$ 72
7/13 Employee 19: 6 hours @ $ 9.00 per hour ……	=	54
7/13 Employee 37: 6 hours @ 8.00 per hour …….	=	48
87/14 Employee 19: 5 hours @ $ 9.00 per hour ……	=	45
7/14 Employee 92: 5 hours @ $11.00 per hour ……..	=	55
Total direct labor cost …….	=	$274
FACTORY OVERHEAD		
150% of direct labor cost (150% ∗ $274) ……...	=	$411
TOTAL COST ASSIGNED TO THE JOB	=	$995

Difficulty: 3 Hard
Topic: Job Cost Sheet; Overhead Cost Flows
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
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199) The following information about the Zhang Company is available on December 31:

Advertising expense……	$ 28,800
Depreciation of factory equipment……	42,320
Depreciation of office equipment……..…	10,800
Direct labor……..	142,600
Factory utilities……....	35,650
Interest expense…….....	6,650
Inventories, January 1:	
Raw materials……	3,450
Work in process……	17,250
Finished goods……...……	35,600
Inventories, December 31:	
Raw materials……..…	2,300
Work in process……..…	20,700
Finished goods……	31,050
Raw materials purchases……	132,450
Rent on factory building……	41,400
Indirect labor……..	51,750
Sales commissions……..	16,500

The company applies overhead on the basis of 125% of direct labor costs. Calculate the amount of over- or underapplied overhead.

Answer:

Factory overhead costs:	
Depreciation of factory equipment ……	$ 42,320
Factory utilities ……..	35,650
Rent on factory building ……	41,400
Indirect labor ……..	51,750
Total actual factory overhead costs ……..	$171,120
Factory overhead applied (142,600 ∗ 125%) …	$178,250
Overapplied overhead ……	$ 7,130

Difficulty: 3 Hard
Topic: Overheads Cost Flows and Documents; Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.; 19-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Apply
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200) The predetermined overhead rate for Foster, Inc., is based on estimated direct labor costs of $400,000 and estimated factory overhead of $500,000. Actual costs incurred were:

Direct materials……..	$240,000
Direct labor……..	410,000
Indirect materials……	55,000
Indirect labor……..	125,000
Sales commissions…….	55,000
Factory depreciation……	170,000
Property taxes, factory……...	15,000
Factory utilities……..	35,000
Advertising……....	62,500
Factory equipment rental……	110,000

(a) Calculate the predetermined overhead rate and calculate the overhead applied during the year.
(b) Prepare the journal entry to eliminate the over- or underapplied overhead, assuming that it is not material in amount.

Answer: (a) Predetermined overhead rate = $500,000/$400,000 = 125% of direct labor cost
Overhead applied = $410,000 * 125% = $512,500
(b)
Actual overhead:

Indirect materials……	$ 55,000
Indirect labor……..……	125,000
Factory depreciation……	170,000
Property taxes, factory……	15,000
Factory utilities……..…	35,000
Factory equipment rental……	110,000
Total actual overhead……..	$510,000
Overhead applied……..…	512,500
Overapplied overhead……	$ 2,500

Factory Overhead……	2,500	
Cost of Goods Sold……		2,500

Difficulty: 3 Hard
Topic: Overhead Cost Flows; Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.; 19-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Apply
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201) A company charged the following amounts of overhead to jobs during the current year: $12,000 to jobs still in process, $42,000 to jobs completed but not sold, and $66,000 to jobs finished and sold. At year-end, the company's Factory Overhead account has a credit balance of $9,000. What entry (if any) should the company make at year-end related to this overhead balance?

Answer:

Dec. 31	Factory Overhead ……	9,000	
	Cost of Goods Sold …….		9,000

Difficulty: 3 Hard
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Apply
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202) Oddley Corp. uses a job order costing system. The following information pertains to costs applied to jobs during the current year:

Jobs still in process at the end of the year:
$167,000, which includes $65,000 direct labor costs.
Jobs finished and sold during the year:
$395,000, which includes $172,000 direct labor costs.
Jobs finished but unsold during the year:
$103,000, which includes $38,000 direct labor costs.

Oddley Corp.'s predetermined overhead rate is 60% of direct labor cost. At the end of the year, the company's records show that $189,000 of actual factory overhead has been incurred.

(a) Determine the amount of overapplied or underapplied overhead.
(b) Prepare the necessary journal entry to close the Factory Overhead account assuming that any remaining balance is not material.

Answer:

(a)	Actual overhead cost ……..	$189,000	
	Applied overhead (60% ∗ $275,000)* ……	165,000	
	Underapplied overhead ……..	$24,000	
(b)	Cost of Goods Sold ……	$24,000	
	Factory Overhead …….		$24,000

$65,000 + $172,000 + $38,000 =$275,000
Difficulty: 3 Hard
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Apply
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203) Taylor Corp. uses a job order costing system and worked only on Job 101 during the current period. Job 101 was sold for $460,000. The following information pertains to costs incurred for Job 101.

Direct materials	$90,000
Indirect materials	$30,000
Direct labor	$130,000
Indirect labor	$75,000
Depreciation of machinery	$10,000
Factory supplies	$8,000
Overhead rate	90% of direct labor

After adjusting for the amount of over- or underapplied overhead, determine the amount of gross profit earned during the year.

Answer:

Job Costs:

Direct Materials	$ 90,000	
Direct Labor	130,000	
Overhead ($130,000 * 90%)	117,000	
Underapplied Overhead	6,000	* (closed to cost of goods sold)
Total Cost of Goods Sold	$343,000	

Gross Profit:		
Sales Price	$460,000	
Less Cost of Goods Sold	343,000	
Gross Profit	$117,000	

*Actual Overhead Incurred:		
Indirect Materials	$ 30,000	
Indirect Labor	75,000	
Depreciation of Machinery	10,000	
Factory Supplies	8,000	
Total Actual Overhead	$ 123,000	
Applied Overhead	117,000	
Underapplied Overhead	$ 6,000	

Difficulty: 3 Hard
Topic: Overhead Cost Flows; Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.; 19-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Apply
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
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204) At the end of June, job cost sheets for Kennedy Manufacturing show the following total costs accumulated on three custom jobs:

	Job 203	Job 204	Job 205
Direct materials	$32,000	$47,000	$43,000
Direct labor	18,000	22,000	25,000
Overhead	26,100	31,900	36,250

Job 203 was started in production in May and the following costs were assigned to it in May: direct materials, $12,000; direct labor, $6,000; and overhead $8,700. Jobs 204 and 205 are started in June. Overhead cost is applied with a predetermined rate based on direct labor cost. Jobs 203 and 204 are finished in June, and Job 205 will be finished in July. No raw materials are used indirectly in June. Using this information, answer the following questions assuming the company's predetermined overhead rate did not change.
a. What is the total cost of direct materials requisitioned in June for the three jobs?
b. What is the total direct labor cost incurred during June for the three jobs?
c. What predetermined overhead rate is used during June?
d. How much total cost is transferred to finished goods during June?

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Answer:

a.	Materials for Job 203	$32,000	
	Less prior costs	12,000	$20,000
	Job 204		47,000
	Job 205		43,000
	Total materials requisitioned		$110,000

b.	Labor for Job 203	$18,000	
	Less prior costs	6,000	$12,000
	Job 204		22,000
	Job 205		25,000
	Total direct labor		$59,000

c.		**Job 204**	**Job 205**
	Overhead	$31,900	$36,250
	Direct labor	22,000	25,000
	Ratio	145%	145%

d.		**Job 203**	**Job 204**	**Total**
	Direct materials	$32,000	$47,000	$79,000
	Direct labor	18,000	22,000	40,000
	Overhead	26,100	31,900	58,000
		$76,100	$100,900	$177,000

Difficulty: 3 Hard
Topic: Job Cost Sheet; Overhead Cost Flows
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Apply
AACSB/Accessibility: Analytical Thinking / Keyboard Navigation
AICPA: BB Industry; FN Measurement

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205) Booth Manufacturing uses a job order costing system that charges overhead to jobs on the basis of direct material cost. At year-end, the Work in Process Inventory account shows the following.

Date	Explanation	Debit	Credit	Balance
Dec. 31	Direct materials cost	980,000		980,000
31	Direct labor cost	320,000		1,300,000
31	Overhead costs	637,000		1,937,000
31	To finished goods		1,818,000	119,000

a. Determine the predetermined overhead rate used.
b. Only one job remained in process at December 31. Its direct materials cost is $60,000. How much direct labor cost and overhead cost are assigned to it?

Answer: a. Rate = $637,000/$980,000 = 65%

b.	Total cost of job in process	$119,000	
	Less materials costs of job in process	60,000	$59,000
	Less overhead applied ($60,000 ∗ .65)		39,000
	Direct labor cost		$20,000

Difficulty: 3 Hard
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
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206) Franklin Manufacturing uses a job order costing system that charges overhead to jobs on the basis of direct labor cost. Franklin used the following cost predictions: overhead costs $1,285,750, and direct labor costs of $695,000. At year-end, the company's records show that actual overhead costs for the year are $1,278,800, and actual direct labor costs are $692,000.
a. Determine the predetermined overhead rate for the year.
b. Compute the amount of overapplied or underapplied overhead.
c. Prepare the adjusting entry for over- or underapplied overhead, assuming the amount is immaterial.

Answer:
a. $1,285,750/$695,000 = 185%
b. $1,278,800 - ($692,000 * 1.85) = -$1,400 overapplied

c. Factory Overhead…..……. 1,400
Cost of Goods Sold…..…… 1,400
Difficulty: 3 Hard
Topic: Overhead Cost Flows; Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.; 19-P4 Determine adjustments for overapplied and underapplied factory overhead.
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207) Drop Anchor takes special orders to manufacture sail boats for high-end customers. Prepare journal entries to record the transactions below and prepare job cost sheets for September.

a. Purchased raw materials on credit, $145,000.
b. Materials requisitions: Job 240, $48,000; Job 241, $36,000; Job 242, $42,000; indirect materials were $12,000.
c. Time tickets used to charge labor to jobs: Job 240, $40,000; Job 241, $30,000; Job 242, $35,000, indirect labor is $25,000.
d. The company incurred the following additional overhead costs: depreciation of factory building, $70,000; depreciation of factory equipment, $60,000; expired factory insurance, $10,000; utilities and maintenance cost of $20,000 were paid in cash.
e. Applied overhead to all three jobs. The predetermined overhead rate is 190% of direct labor cost.
f. Transferred jobs 240 and 242 to Finished Goods Inventory.
g. Sold job 240 for $300,000 for cash.
h. Closed the under- or over-applied overhead account balance.

Job Cost Sheets				
	240	**241**	**242**	**Total**
For the current month				
Direct materials				
Direct labor				
Applied overhead				
Total costs				

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Answer:

a.	Raw Materials Inventory……..	145,000	
	Accounts Payable……..		145,000
b.	Work in Process Inventory……..	126,000	
	Raw Materials Inventory……..		126,000
	Factory Overhead……..	12,000	
	Raw Materials Inventory……..		12,000
c.	Work in Process Inventory……..	105,000	
	Factory Wages Payable……..		105,000
	Factory Overhead……..	25,000	
	Factory Wages Payable……..		25,000
d.	Factory Overhead……..	160,000	
	Accumulated Depreciation–Factory Building….		70,000
	Accumulated Depreciation–Factory Equip……..		60,000
	Prepaid Insurance……..		10,000
	Cash……..		20,000
e.	Work in Process Inventory…….	199,500	
	Factory Overhead ($105,000 * 190%)…….		199,500
f.	Finished Goods Inventory ($164,000 + $143,500)…..	307,500	
	Work in Process Inventory……..		307,500
g.	Cash……..	300,000	
	Sales……		300,000
	Cost of Goods Sold……..	164,000	
	Finished Goods Inventory……..		164,000
h.	Factory Overhead……..	2,500	
	Cost of Goods Sold……..		2,500

Overhead = $12,000 + 25,000 + 160,000 =	$197,000
Overhead applied =	199,500
Overapplied overhead =	$ 2,500

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Job Cost Sheets				
	240	**241**	**242**	**Total**
For the current month				
Direct materials	48,000	36,000	42,000	126,000
Direct labor	40,000	30,000	35,000	105,000
Applied overhead	76,000	57,000	66,500	199,500
Total costs	164,000	123,000	143,500	430,500

Difficulty: 3 Hard
Topic: Materials Cost Flows and Documents; Labor Cost Flows and Documents; Overhead Cost Flows; Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.; 19-P2 Describe and record the flow of labor costs in job order costing.; 19-P3 Describe and record the flow of overhead costs in job order costing.; 19-P4 Determine adjustments for overapplied and underapplied factory overhead.
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208) The predetermined overhead rate for Shilling Manufacturing is based on estimated direct labor costs of $350,000 and estimated factory overhead of $770,000. Actual costs incurred were:

Direct materials	$475,000
Direct labor	347,000
Indirect materials	78,000
Indirect labor	143,500
Sales commissions	150,000
Factory depreciation	260,000
Property taxes, factory	35,000
Factory utilities	65,000
Advertising	62,500
Factory supervision	185,000

a. Calculate the predetermined overhead rate and calculate the overhead applied during the year.
b. Prepare the journal entry to eliminate the over- or underapplied overhead, assuming that it is not material in amount.

Answer:
a. Predetermined overhead rate = $770,000/$350,000 = 220% of direct labor cost
Overhead applied = $347,000 * 220% = $763,400
b.

Actual overhead:		
Indirect materials	$ 78,000	
Indirect labor	143,500	
Factory depreciation	260,000	
Property taxes, factory	35,000	
Factory utilities	65,000	
Factory supervision	185,000	
Total actual overhead	$766,500	
Overhead applied	763,400	
Underapplied overhead	$ 3,100	

Cost of Goods Sold	3,100	
Factory Overhead		3,100

Difficulty: 3 Hard
Topic: Overhead Cost Flows; Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.; 19-P4 Determine adjustments for overapplied and underapplied factory overhead.
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209) A _____ accounting system accumulates production costs and assigns them to products or services.

Answer: cost
Difficulty: 1 Easy
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Remember
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210) _____, or customized production, produces products in response to customer orders.

Answer: Job order production
Difficulty: 1 Easy
Topic: Job Order Costing
Learning Objective: 02-C1 Describe important features of job order production.
Bloom's: Remember
AACSB/Accessibility: Communication / Keyboard Navigation
AICPA: BB Industry; FN Measurement

211) A _____ is a separate record maintained for each job.

Answer: job cost sheet
Difficulty: 1 Easy
Topic: Job cost sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
Bloom's: Remember
AACSB/Accessibility: Communication / Keyboard Navigation
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212) The total cost on job cost sheets for all jobs in process equals the amount in the _____ Inventory account.

Answer: Work in Process
Difficulty: 1 Easy
Topic: Job cost sheet
Learning Objective: 02-C2 Explain job cost sheets and how they are used in job order costing.
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213) In a job order costing system, raw materials requisitioned as direct materials are debited to _____; indirect materials are debited to _____.

Answer: Work in Process Inventory; Factory Overhead

Answers must appear in this order
Difficulty: 2 Medium
Topic: Materials Cost Flows and Documents
Learning Objective: 02-P1 Describe and record the flow of materials costs in job order costing.
Bloom's: Understand
AACSB/Accessibility: Communication / Keyboard Navigation
AICPA: BB Industry; FN Measurement

214) When direct labor is assigned to specific jobs, _____ is debited.

Answer: Work in Process Inventory
Difficulty: 1 Easy
Topic: Labor Cost Flows and Documents
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Bloom's: Remember
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215) When indirect labor is recorded, _____ is debited.

Answer: Factory Overhead
Difficulty: 1 Easy
Topic: Labor Cost Flows and Documents
Learning Objective: 02-P2 Describe and record the flow of labor costs in job order costing.
Bloom's: Remember
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216) A _____ is calculated by dividing total estimated factory overhead by an activity base such as total estimated direct labor cost.

Answer: predetermined overhead rate
Difficulty: 1 Easy
Topic: Overhead Cost Flows
Learning Objective: 02-P3 Describe and record the flow of overhead costs in job order costing.
Bloom's: Remember
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217) When the actual overhead incurred during an accounting period is more than the overhead applied to jobs, the overhead is said to be _____.

Answer: underapplied
Difficulty: 1 Easy
Topic: Adjust Underapplied or Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Remember
AACSB/Accessibility: Communication / Keyboard Navigation
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218) Overapplied overhead should be _____ to the Cost of Goods Sold account when closed.

Answer: credited
Difficulty: 1 Easy
Topic: Adjust Underapplied and Overapplied Overhead
Learning Objective: 02-P4 Determine adjustments for overapplied and underapplied factory overhead.
Bloom's: Remember
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