

AC 202 Management Accounting

Exercise 2: Job-Order Costing

Q. 1 Hawaii Manufacturing uses a job-costing system with two direct-cost categories (direct materials and direct manufacturing labor) and one manufacturing overhead cost pool. Hawaii allocates manufacturing overhead costs using machine-hours. Manufacturing overhead is allocated using a budgeted rate that is set every December (which is called normal costing system). In December 2017, Hawaii budgets 2018 manufacturing overhead costs to be \$420,000 and 2018 machine-hours to be 80,000.

During January 2018, the job-cost record for job # 7 contained the following information:

Direct materials used	\$300
Direct manufacturing labor costs	\$100
Machine-hours	60

Required: Compute the cost of job # 7.

Q. 2 Pyramid Products uses a job order cost system. The following transactions occurred during the current month:

- Purchased raw materials costing \$75,000 for cash.
- Materials costing \$60,000 were used as direct materials.
- Time cards of direct workers indicate direct labor costs of \$90,000 for the month.
- Overhead is applied to jobs at a rate of 75% of direct labor cost.
- Jobs with total accumulated costs of \$148,000 were finished during the month.
- Units costing \$180,000 were sold during the month at sales prices totaling \$360,000. All sales were on account. (The company uses perpetual inventory system.)
- Actual overhead incurred at the end of the period were \$60,000.
- Compute the amount of under- or overallocation of manufacturing overhead and make a journal entry to dispose the under- or overapplied OH to cost of goods sold.

Required:

- Prepare T-Accounts of “Work-in-Process Inventory” and “Manufacturing Overhead.”
- Compute the amount of under- or overallocation of Manufacturing Overhead and the ending balance of Cost of Goods Sold if the company disposes the under- or overapplied MOH to cost of goods sold.

Q.3 MOH Applied

Estimated cost and operating data for three companies for the upcoming year follow:

	Company X	Company Y	Company Z
Direct labor-hours	80,000	45,000	60,000
Machine-hours	30,000	70,000	21,000
Direct materials cost	\$400,000	\$290,000	\$300,000
Manufacturing overhead cost	\$536,000	\$315,000	\$480,000

Predetermined overhead rates are computed using the following allocation bases in the three companies:

	Allocation Base
Company X	Direct labor-hours
Company Y	Machine-hours
Company Z	Direct materials cost

Required:

1. Compute each company's predetermined overhead rate.
2. Assume that Company X works on three jobs during the upcoming year. Direct labor-hours recorded by job are: Job 418, 12,000 hours; Job 419, 36,000 hours; and Job 420, 30,000 hours. How much overhead will the company apply to Work in Process for the year? If actual overhead costs total \$530,000 for the year, will overhead be underapplied or overapplied? By how much?

Q. 4 Compute unit product cost

A company assigns overhead cost to completed jobs on the basis of 125% of direct labor cost. The job cost sheet for Job 313 shows that \$10,000 in direct materials has been used on the job and that \$12,000 in direct labor cost has been incurred. A total of 1,000 units were produced in Job 313.

Required:

What is the unit product cost for Job 313?