

EXERCISES: SET B

E2-1B The gross earnings of the factory workers for Juan Company during the month of January are \$61,000. The employer's payroll taxes for the factory payroll are \$9,600. The fringe benefits to be paid by the employer on this payroll are \$6,400. Of the total accumulated cost of factory labor, 80% is related to direct labor and 20% is attributable to indirect labor.

Prepare entries for factory labor.

(LO 1, 2)

Instructions

- Prepare the entry to record the factory labor costs for the month of January.
- Prepare the entry to assign factory labor to production.

E2-2B Lamar Manufacturing uses a job order cost accounting system. On May 1, the company has a balance in Work in Process Inventory of \$3,200 and two jobs in process: Job No. 429 \$2,000, and Job No. 430 \$1,200. During May, a summary of source documents reveals the following.

Prepare journal entries for manufacturing costs.

(LO 1, 2, 3, 4)

| Job Number | Materials | | Labor | |
|-------------|-------------------|-----------------|--------------|-----------------|
| | Requisition Slips | | Time Tickets | |
| 429 | \$2,500 | | \$2,200 | |
| 430 | 3,600 | | 3,000 | |
| 431 | 4,400 | \$10,500 | 7,600 | \$12,800 |
| General use | | <u>1,800</u> | | <u>1,950</u> |
| | | <u>\$12,300</u> | | <u>\$14,750</u> |

Lamar Manufacturing applies manufacturing overhead to jobs at an overhead rate of 80% of direct labor cost. Job No. 429 is completed during the month.

Instructions

- Prepare summary journal entries to record: (i) the requisition slips, (ii) the time tickets, (iii) the assignment of manufacturing overhead to jobs, and (iv) the completion of Job No. 429.
- Post the entries to Work in Process Inventory, and prove the agreement of the control account with the job cost sheets.

E2-3B A job order cost sheet for Trend Company is shown below.

Analyze a job cost sheet and prepare entries for manufacturing costs.

(LO 1, 2, 3, 4)

| Job No. 99 | | | | For 2,000 Units | | | |
|------------------------|------------------------------|---------------|------------------------|-----------------|--|--|--|
| Date | Direct Materials | Direct Labor | Manufacturing Overhead | | | | |
| Beg. bal. Jan. 1 | 4,105 | 6,000 | 4,200 | | | | |
| 8 | 6,000 | | | | | | |
| 12 | | 8,500 | 6,375 | | | | |
| 25 | 2,000 | | | | | | |
| 27 | | 4,000 | 3,000 | | | | |
| | <u>12,105</u> | <u>18,500</u> | <u>13,575</u> | | | | |
| Cost of completed job: | | | | | | | |
| | Direct materials | | \$12,105 | | | | |
| | Direct labor | | 18,500 | | | | |
| | Manufacturing overhead | | <u>13,575</u> | | | | |
| | Total cost | | <u>\$44,180</u> | | | | |
| | Unit cost (\$44,180 ÷ 2,000) | | <u>\$ 22.09</u> | | | | |

Instructions

-  On the basis of the foregoing data answer the following questions.
 - What was the balance in Work in Process Inventory on January 1 if this was the only unfinished job?
 - If manufacturing overhead is applied on the basis of direct labor cost, what overhead rate was used in each year?
- Prepare summary entries at January 31 to record the current year's transactions pertaining to Job No. 99.

2 Job Order Costing

Analyze costs of manufacturing and determine missing amounts.

(LO 1, 5)

E2-4B Manufacturing cost data for Olsen Company, which uses a job order cost system, are presented below.

| | Case A | Case B | Case C |
|--------------------------------|---------|-----------|-----------|
| Direct materials used | \$ (a) | \$ 78,000 | \$ 72,600 |
| Direct labor | 50,000 | 120,000 | (h) |
| Manufacturing overhead applied | 37,500 | (d) | (i) |
| Total manufacturing costs | 135,650 | (e) | 212,600 |
| Work in process 1/1/17 | (b) | 15,500 | 25,050 |
| Total cost of work in process | 213,300 | (f) | (j) |
| Work in process 12/31/17 | (c) | 11,800 | (k) |
| Cost of goods manufactured | 193,200 | (g) | 222,000 |

Instructions

Indicate the missing amount for each letter. Assume that in all cases manufacturing overhead is applied on the basis of direct labor cost and the rate is the same.

Compute the manufacturing overhead rate and under- or overapplied overhead.

(LO 3, 5)

E2-5B Pronto Kopy Company applies operating overhead to photocopying jobs on the basis of machine hours used. Overhead costs are expected to total \$320,000 for the year, and machine usage is estimated at 125,000 hours.

For the year, \$308,000 of overhead costs are incurred and 130,000 hours are used.

Instructions

- Compute the service overhead rate for the year.
- What is the amount of under- or overapplied overhead at December 31?
- Assuming the under- or overapplied overhead for the year is not allocated to inventory accounts, prepare the adjusting entry to assign the amount to cost of jobs finished.

Analyze job cost sheet and prepare entry for completed job.

(LO 1, 2, 3, 4)

E2-6B A job cost sheet of Carson Company is given below.

| Job Cost Sheet | | | |
|------------------------|------------------------|----------------|------------------------|
| JOB NO. | 469 | Quantity | 2,000 |
| ITEM | Fish Nets | Date Requested | 7/2 |
| FOR | Island Company | Date Completed | 7/31 |
| Date | Direct Materials | Direct Labor | Manufacturing Overhead |
| 7/10 | 965 | | |
| 12 | 900 | | |
| 15 | | 400 | 560 |
| 22 | | 350 | 490 |
| 24 | 1,600 | | |
| 27 | 1,500 | | |
| 31 | | 500 | 700 |
| Cost of completed job: | | | |
| | Direct materials | | _____ |
| | Direct labor | | _____ |
| | Manufacturing overhead | | _____ |
| | Total cost | | ===== |
| | Unit cost | | ===== |

Instructions

-  Answer the following questions.
 - What are the source documents for direct materials, direct labor, and manufacturing overhead costs assigned to this job?
 - What is the predetermined manufacturing overhead rate?
 - What are the total cost and the unit cost of the completed job? (Round to 2 decimal places)
- Prepare the entry to record the completion of the job.

E2-7B Grill Corporation incurred the following transactions.

1. Purchased raw materials on account \$45,235.
2. Raw Materials of \$35,900 were requisitioned to the factory. An analysis of the materials requisition slips indicated that \$6,300 was classified as indirect materials.
3. Factory labor costs incurred were \$56,900, of which \$52,000 pertained to factory wages payable and \$4,900 pertained to employer payroll taxes payable.
4. Time tickets indicated that \$49,000 was direct labor and \$7,900 was indirect labor.
5. Overhead costs incurred on account were \$80,500.
6. Manufacturing overhead was applied at the rate of 120% of direct labor cost.
7. Goods costing \$88,000 were completed and transferred to finished goods.
8. Finished goods costing \$83,000 to manufacture were sold on account for \$119,300.

Prepare entries for manufacturing costs.

(LO 1, 2, 3, 4)

Instructions

Journalize the transactions. (Omit explanations.)

E2-8B Monitor Landscaping uses a job order cost system. The following data summarize the operations related to the first quarter's operations.

1. Materials purchased on account \$213,000, and total wages incurred \$92,000.
2. Materials requisitioned and direct labor used by job:

Prepare entries for manufacturing costs.

(LO 1, 2, 3, 4)

| <u>Job Number</u> | <u>Materials</u> | <u>Total Labor</u> |
|-------------------|------------------|--------------------|
| A20 | \$ 33,240 | \$18,500 |
| A21 | 42,920 | 24,000 |
| A22 | 36,100 | 17,000 |
| A23 | 41,270 | 25,000 |
| Indirect usage | 4,800 | 7,500 |
| | <u>\$158,330</u> | <u>\$92,000</u> |

3. Service overhead costs incurred on account \$59,500.
4. Depreciation on machinery and equipment \$14,550.
5. Service overhead rate is 70% of direct labor cost.
6. Jobs completed during the quarter: A20, A21, and A23.

Instructions

Prepare entries to record the operations summarized above. (Prepare a schedule showing the individual cost elements and total cost for each job in item 6.)

E2-9B At May 31, 2017, the accounts of Andres Manufacturing Company show the following.

1. May 1 inventories—finished goods \$12,600, work in process \$18,800, and raw materials \$8,200.
2. May 31 inventories—finished goods \$15,400, work in process \$17,900, and raw materials \$7,100.
3. Debit postings to work in process were: direct materials \$54,200, direct labor \$32,000, and manufacturing overhead applied \$40,000.
4. Sales totaled \$200,000.

Prepare a cost of goods manufactured schedule and partial financial statements.

(LO 1, 4)

Instructions

- (a) Prepare a condensed cost of goods manufactured schedule.
- (b) Prepare an income statement for May through gross profit.
- (c) Indicate the balance sheet presentation of the manufacturing inventories at May 31, 2017.

E2-10B Homer Company begins operations on April 1. Information from job cost sheets shows the following.

Compute work in process and finished goods from job cost sheets.

(LO 2, 4)

| <u>Job Number</u> | <u>Manufacturing Costs Assigned</u> | | | <u>Month Completed</u> |
|-------------------|-------------------------------------|------------|-------------|------------------------|
| | <u>April</u> | <u>May</u> | <u>June</u> | |
| 10 | \$7,200 | \$4,400 | | May |
| 11 | 4,100 | 3,900 | \$3,000 | June |
| 12 | 1,200 | | | April |
| 13 | | 4,700 | 3,400 | June |
| 14 | | 6,600 | 3,200 | Not complete |

Job 12 was completed in April. Job 10 was completed in May. Jobs 11 and 13 were completed in June. Each job was sold for 30% above its cost in the month following completion.

Instructions

- (a) What is the balance in Work in Process Inventory at the end of each month?
- (b) What is the balance in Finished Goods Inventory at the end of each month?
- (c) What is the gross profit for May, June, and July?

Prepare entries for costs of services provided.

(LO 1, 3, 4)



E2-11B Shown below are the job cost related accounts for the law firm of Likert, Scale, and Point and their manufacturing equivalents for the first month of operations:

| Law Firm Accounts | Manufacturing Firm Accounts |
|-------------------------------------|-----------------------------|
| Supplies | Raw Materials |
| Salaries and Wages Payable | Factory Wages Payable |
| Operating Overhead | Manufacturing Overhead |
| Service Contracts in Process | Work in Process |
| Cost of Completed Service Contracts | Cost of Goods Sold |

Cost data for the month of March follow.

1. Purchased supplies on account \$1,795.
2. Issued supplies \$1,000 (70% direct and 30% indirect).
3. Time cards for the month indicated attorney labor costs of \$55,000 (75% direct and 25% indirect).
4. Operating overhead costs incurred for cash totaled \$30,000.
5. Operating overhead is applied at a rate of 80% of direct attorney cost.
6. Work completed totaled \$68,000.

Instructions

- (a) Journalize the transactions for March. Omit explanations.
- (b) Determine the balance of the Service Contracts in Process account. Use a T account.

Determine cost of jobs and ending balance in work in process and overhead accounts.

(LO 2, 3, 5)



E2-12B Lawler and Associates, a C.P.A. firm, uses job order costing to capture the costs of its audit jobs. There were no audit jobs in process at the beginning of November. Listed below are data concerning the three audit jobs conducted during November.

| | <u>Manson</u> | <u>Walker</u> | <u>Barton</u> |
|---------------------|---------------|---------------|---------------|
| Direct materials | \$ 650 | \$ 350 | \$ 200 |
| Auditor labor costs | \$5,400 | \$6,600 | \$3,375 |
| Auditor hours | 65 | 80 | 30 |

Overhead costs are applied to jobs on the basis of auditor hours, and the predetermined overhead rate is \$60 per auditor hour. The Barton job is the only incomplete job at the end of November. Actual overhead for the month was \$10,000.

Instructions

- (a) Determine the cost of each job.
- (b) Indicate the balance of the Work in Process account at the end of November.
- (c) Calculate the ending balance of the Manufacturing Overhead account for November.

Determine predetermined overhead rate, apply overhead and determine whether balance under- or overapplied.

(LO 3, 5)



E2-13B Swift Decorating uses a job order costing system to collect the costs of its interior decorating business. Each client's consultation is treated as a separate job. Overhead is applied to each job based on the number of decorator hours incurred. Listed below are data for the current year.

| | |
|---------------------------|-----------|
| Estimated overhead | \$850,000 |
| Actual overhead | \$879,000 |
| Estimated decorator hours | 50,000 |
| Actual decorator hours | 52,000 |

The company uses Operating Overhead in place of Manufacturing Overhead.

Instructions

- (a) Compute the predetermined overhead rate.
- (b) Prepare the entry to apply the overhead for the year.
- (c) Determine whether the overhead was under- or overapplied and by how much.