Note : No test bank for chapter 2, it's missing

Chapter 03 - Costing Systems- Job Order Costing

Student: _____

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

2. Unlike a job order costing system, a process costing system is not restricted to one Work in Process Inventory account.
True False

3. Unique products are produced in a continuous flow production process.
True False

4. Job order costing is used by companies that make large or unique products.
True False

5. In a job order costing system, product costs are traced to work cells.
True False

6. The typical product costing system in a factory incorporates parts of both job order costing and process costing to create a hybrid system.
True False

7. The production process determines the product costing system needed.
True False

8. Few actual production processes fit the definitions of job order costing or process costing exactly.
True False

9. A basic part of a job order costing system is the set of procedures and entries used to record the costs incurred for materials, labor, and overhead.
True False

10. In a job order costing system, at the end of the accounting period, the balance in the subsidiary ledger for unfinished jobs should equal the ending balance in the Work in Process Inventory account.
True False

11. In a job order costing system, the Factory Payroll account is a clearing account.
True False

12. Costs for individual jobs are maintained on job order cost cards when job order costing is in use.
True False

13. Job order cost cards for incomplete jobs make up the subsidiary ledger for the Finished Goods Inventory account.
True False

14. When a job has been completed, all of the costs assigned to that job order are moved to the Finished Goods Inventory account.
True False

15. In a job order costing system, when overhead costs are applied, they increase the Work in Process Inventory account.
True False

16. In a job order costing system, indirect labor costs incurred are charged to the Work in Process Inventory account.
True False

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

18. In a job order costing system, when supplies are issued from inventory to production, the Overhead account is increased.
True False

19. In a job order costing system, indirect labor costs are transferred to the Overhead account by increasing the Factory Payroll account and decreasing the Overhead account.
True False

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

21. The ending balance in the Work in Process Inventory account is supported by individual Overhead account balances.
True False

22. A zero balance in Finished Goods Inventory at the start of the period means all previously completed products have been shipped.
True False

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

24. If applied overhead exceeds actual overhead, cost of goods sold must be reduced by the amount of the overcharge in a job order costing system.
True False

25. After a job is completed, the product unit cost can be determined from the job order cost card.
True False

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

27. In cost-plus contracts, the “plus” is the sales price.
True False

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

29. A job order cost card is a type of subsidiary ledger.
True False

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

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

32. The flow of costs into a Work in Process Inventory account is very similar for job order and process costing systems.
True False

33. The type of product costing system used by a company is dictated by the
A. project manager.
B. production process.
C. company president.
D. plant supervisor.

34. Product costs appear on the income statement in the form of
A. cost of goods sold.
B. materials inventory.
C. sales commissions.
D. none of these.

35. Accounting for the incurrence of _____ does not change significantly between job order costing and process costing.
A. selling expenses
B. direct materials and conversion costs
C. direct materials costs
D. conversion costs

36. Which of the following is *not* an objective of product costing systems?
A. To provide information for cost planning
B. To assist in the preparation of the income statement
C. To determine the optimal amount of products to manufacture
D. To provide information for product pricing

37. Which of the following is *not* a characteristic of a job order costing system?
A. Uses only one Work in Process Inventory account
B. Uses job cost cards to keep track of each job in process
C. Assigns costs to specific batches of products
D. Measures costs for a set time period

38. Which of the following products probably would be manufactured using a job order costing system?
A. Paper
B. Baseball
C. Computer monitors
D. Company business cards

39. Which of the following accurately describes a difference between job order and process costing systems?
A. In job order costing systems, overhead costs are treated as product costs, whereas in process costing systems, overhead costs are treated as period costs.
B. Job order costing systems do not need to assign costs to production, whereas process costing systems do.
C. In job order costing systems, costs are traced to products, whereas in process costing systems, costs are traced to processes, departments and work cells.
D. Since costs are assigned to products in a job order costing system, selling costs are treated as product costs in the job order costing system, whereas they are treated as period costs in process costing systems.

40. When the amount of overhead applied differs from actual, the dollar amount it is usually written off to
A. Cost of Goods Sold.
B. Work in Process Inventory.
C. Finished Goods Inventory.
D. Miscellaneous Expense.

41. If the applied overhead is more than actual overhead, which of the following is part of the entry?
A. A credit to the Overhead account
B. A debit to the Overhead account
C. A debit to the Cost of Goods Sold account
D. A debit to the Work in Process Inventory account

42. Applied overhead exceeds actual overhead when the
A. Overhead account has a credit balance.
B. journal entry to account for the difference involves a debit to Cost of Goods Sold.
C. Overhead account has a debit balance.
D. company has overspent in the overhead cost area.

43. If there is a credit balance in the Factory Payroll Payable at the end of the accounting period, it represents
A. the amount by which applied payroll was greater than actual payroll.
B. the amount by which actual payroll was greater than applied payroll.
C. labor costs which have not yet been distributed.
D. an amount that should be charged to Cost of Goods Sold.

44. When Dimock Construction's Designer House #10 is completed, Dimock's
A. work in process is increased.
B. total assets are increased.
C. work in process is decreased.
D. total assets are decreased.

45. The total of the dollar amounts on the job order cost cards that have not been completed would be equal to the
A. cost of goods completed.
B. balance in the Finished Goods Inventory account.
C. Cost of Goods Sold account.
D. balance in the Work in Process Inventory account.

46. Costs assigned to the building of a house should appear on the income statement when
A. the house is completed.
B. the house is sold.
C. the purchase order to manufacture the house is received.
D. cash is collected for the sale of the house.

47. The basic document for keeping track of costs in a job order costing system is a
A. job order cost card.
B. labor time card.
C. process cost report.
D. materials requisition form.

48. Under a job order costing system, the dollar amount of the entry involved in the transfer of goods from work in process to finished goods is the total of the costs charged to all jobs
A. started during the period.
B. completed and sold during the period.
C. completed during the period.
D. started and completed during the period.

49. In a job order costing system, the subsidiary ledger for the Work in Process Inventory account consists of
A. time cards.
B. conversion cost cards.
C. job order cost cards.
D. product cost cards.

50. When direct materials are issued from inventory to production under a job order costing system, an increase is recorded in
A. Overhead.
B. Work in Process Inventory.
C. Materials Inventory.
D. Finished Goods Inventory.

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

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

If $72,400 of materials were charged to Job 88's job cost card, how much overhead was applied to Job 88?
A. $35,100
B. $70,000
C. $72,400
D. $120,000

52. The balance in the Work in Process Inventory account on April 1 was $26,800, and the balance on April 30 was $22,600. Costs incurred during the month were as follows: direct materials, $41,250; direct labor, $21,300; and overhead, $32,600. What amount was transferred to the Finished Goods Inventory account for April?
A. $99,350
B. $4,200
C. $90,350
D. $121,950

53. Unit costs for each job are computed by dividing
A. estimated total costs by planned units to be produced.
B. actual costs by actual units sold.
C. cost of direct materials, direct labor, and overhead by number of units produced.
D. estimated total costs by actual units produced.

54. The _____ provide(s) the most direct means of calculating unit costs for a job.
A. job order cost card
B. Finished Goods Inventory account
C. general ledger
D. Overhead and Work in Process Inventory accounts

55. The following information is available at the end of the period for the completed Job 713:

Beginning balance	$21,500.00
Direct materials	30,600
Direct labor	24,500
Overhead applied	41,700
Adjustment—overapplied overhead	1,600
Total number of units produced	30,000
Total number of units sold	28,500

What is the unit cost for Job 713?

A. $3.94
B. $3.89
C. $4.00
D. $4.09

56. The balance in the Work in Process account equals the

A. balance in the Finished Goods Inventory account.
B. balance in the Cost of Goods Sold account.
C. balances on the job cost sheets of uncompleted jobs.
D. balance in the Overhead account.

57. Actual overhead during the year was more than applied overhead, the journal entry to close the Overhead account for the difference?

A. Overhead XX
    Cost of Goods Sold XX

B. Cost of Goods Sold XX
    Overhead XX

C. Overhead XX
    Finished Goods Inventory XX

D. Cost of Goods Sold XX
    Finished Goods Inventory XX

58. Which one of the following entries includes the initial application of indirect labor to production?

A. Work in Process Inventory XX
    Overhead XX

B. Overhead XX
    Work in Process Inventory XX

C. Overhead XX
    Factory Payroll XX

D. Factory Payroll XX
    Overhead XX

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

A. Materials Inventory XX
    Work in Process Inventory XX

B. Materials Inventory XX
    Accounts Payable XX

C. Work in Process Inventory XX
    Accounts Payable XX

D. Accounts Payable XX
    Materials Inventory XX

60. Service organizations incur little or no cost for

A. applied overhead.
B. actual overhead.
C. materials.
D. labor.

61. The following partially completed T accounts summarize the transactions of Carlton Company for last year:

	Materials Inventory			
	Beg Bal	5,000	20,000	(2)
	(1)	17,000		
	Work in Process Inventory			
	Beg Bal	9,000	63,600	(7)
	(2)	13,000		
	(4)	16,000		
	(6)	29,000		
	Overhead			
	(2)	7,000	29,000	(6)
	(3)	14,000		
	(4)	6,000		
	(5)	3,000		
	Cost of Goods Sold			
	Accounts Payable			
			17,000	(1)
			3,000	(5)
	Finished Goods Inventory			
	Beg Bal	16,000		
	(7)	63,600		
	End Bal	13,000		
	Payroll Payable			
			5,000	Beg Bal
			31,000	(4)

	Office Salaries Expense			
	(4)	9,000		
	Accumulated Depreciation (Factory)			
			80,000	Beg Bal
			14,000	(3)

At the end of the year, the company closes out the balance in the Overhead account to Cost of Goods Sold.

The indirect labor cost is
A. $6,000.
B. $13,000.
C. $16,000.
D. $31,000.

62. The following partially completed T accounts summarize the transactions of Carlton Company for last year:

	Materials Inventory			
	Beg Bal	5,000	20,000	(2)
	(1)	17,000		
	Work in Process Inventory			
	Beg Bal	9,000	63,600	(7)
	(2)	13,000		
	(4)	16,000		
	(6)	29,000		
	Overhead			
	(2)	7,000	29,000	(6)
	(3)	14,000		
	(4)	6,000		
	(5)	3,000		
	Cost of Goods Sold			
	Accounts Payable			
			17,000	(1)
			3,000	(5)
	Finished Goods Inventory			
	Beg Bal	16,000		
	(7)	63,600		
	End Bal	13,000		
	Payroll Payable			
			5,000	Beg Bal
			31,000	(4)

	Office Salaries Expense			
	(4)	9,000		
	Accumulated Depreciation (Factory)			
			80,000	Beg Bal
			14,000	(3)

At the end of the year, the company closes out the balance in the Overhead account to Cost of Goods Sold.

The cost of goods manufactured is

A. $59,600.
B. $61,600.
C. $62,600.
D. $63,600.

63. The following partially completed T accounts summarize the transactions of Carlton Company for last year:

	Materials Inventory			
	Beg Bal	5,000	20,000	(2)
	(1)	17,000		
	Work in Process Inventory			
	Beg Bal	9,000	63,600	(7)
	(2)	13,000		
	(4)	16,000		
	(6)	29,000		
	Overhead			
	(2)	7,000	29,000	(6)
	(3)	14,000		
	(4)	6,000		
	(5)	3,000		
	Cost of Goods Sold			
	Accounts Payable			
			17,000	(1)
			3,000	(5)
	Finished Goods Inventory			
	Beg Bal	16,000		
	(7)	63,600		
	End Bal	13,000		
	Payroll Payable			
			5,000	Beg Bal
			31,000	(4)

	Office Salaries Expense			
	(4)	9,000		
	Accumulated Depreciation (Factory)			
			80,000	Beg Bal
			14,000	(3)

At the end of the year, the company closes out the balance in the Overhead account to Cost of Goods Sold.

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

A. $64,600.
B. $65,600.
C. $66,600.
D. 67,600

64. The following partially completed T accounts summarize the transactions of Carlton Company for last year:

	Materials Inventory			
	Beg Bal	5,000	20,000	(2)
	(1)	17,000		
	Work in Process Inventory			
	Beg Bal	9,000	63,600	(7)
	(2)	13,000		
	(4)	16,000		
	(6)	29,000		
	Overhead			
	(2)	7,000	29,000	(6)
	(3)	14,000		
	(4)	6,000		
	(5)	3,000		
	Cost of Goods Sold			
	Accounts Payable			
			17,000	(1)
			3,000	(5)
	Finished Goods Inventory			
	Beg Bal	16,000		
	(7)	63,600		
	End Bal	13,000		
	Payroll Payable			
			5,000	Beg Bal
			31,000	(4)

	Office Salaries Expense			
	(4)	9,000		
	Accumulated Depreciation (Factory)			
			80,000	Beg Bal
			14,000	(3)

At the end of the year, the company closes out the balance in the Overhead account to Cost of Goods Sold.

The applied overhead is

A. $28,000.
B. $29,000.
C. $30,000.
D. $40,000.

65. The following partially completed T accounts summarize the transactions of Carlton Company for last year:

	Materials Inventory			
	Beg Bal	5,000	20,000	(2)
	(1)	17,000		
	Work in Process Inventory			
	Beg Bal	9,000	63,600	(7)
	(2)	13,000		
	(4)	16,000		
	(6)	29,000		
	Overhead			
	(2)	7,000	29,000	(6)
	(3)	14,000		
	(4)	6,000		
	(5)	3,000		
	Cost of Goods Sold			
	Accounts Payable			
			17,000	(1)
			3,000	(5)
	Finished Goods Inventory			
	Beg Bal	16,000		
	(7)	63,600		
	End Bal	13,000		
	Payroll Payable			
			5,000	Beg Bal
			31,000	(4)

	Office Salaries Expense			
	(4)	9,000		
	Accumulated Depreciation (Factory)			
			80,000	Beg Bal
			14,000	(3)

At the end of the year, the company closes out the balance in the Overhead account to Cost of Goods Sold.

The cost of direct materials used in production is
A. $12,000.
B. $13,000.
C. $16,000.
D. $20,000.

66. When a job is completed in a service organization, the job costs are transferred to the
A. Work in Process Inventory account.
B. Finished Goods Inventory account.
C. Cost of Goods Sold account.
D. Cost of Services account.

67. In cost-plus contracts, the “plus” represents
A. sales price.
B. profit, based on the amount of costs incurred.
C. overapplied overhead costs.
D. the amount of any cost overruns.

68. Which of the following could *not* be learned by analyzing job order cost cards?
A. The balance of Work in Process Inventory at the end of the period
B. The cost of all jobs done for a particular customer
C. The completion time of jobs yet to be completed
D. The type of products ordered by a particular customer

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

70. The Work in Process Inventory account for Corbett Company for the month ended June 30 appears below.

Work in Process Inventory			
Beginning Balance	0	Completed	135,800
Direct Materials	38,200		
Direct Labor	48,000		
Overhead	86,400		

Overhead is applied based on direct labor dollars. Direct material costs for the one job remaining in work in process on June 30 was $12,300.
a. What was the overhead rate used to apply overhead to jobs?
b. Determine the amount of direct labor charged to the one remaining job.

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

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

73. G. M. Richardson, CPA, entered into a cost-plus contract with Ivey Computer Services for software installation and Internet interfacing in her accounting practice. The following is Ivey Computer Services' job cost card for this job. Ivey's profit factor is 30 percent of total costs. Complete the following card, as indicated:

JOB ORDER COST CARD Ivey Computer Services	
Customer:	G.M. Richardson, CPA
Job Order No.:	_____
Contract Type	Cost-Plus
Type of Service	Software Installation and Internet Interfacing
Date of Completion	July 13, 20xx
Costs Charged to Job	Total Cost
Software Installations Services	
Installation labor	$400
Service overhead (b% of installation labor costs)	(a)
Total	$650
Internet Services	
Internet labor	$200
Service overhead (20% of Internet labor costs)	40
Total	$ (c)
Cost Summary to Date	Total Cost
Software Installation Services	$(d)
Internet Services	(e)
Total	$(f)
Profit (30%)	(g)
Contract revenue	$(h)

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

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

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

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

b. Compute the unit cost for a Rocky bear.

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

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

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

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

Calculate the following amounts:
a. Ending Work in Process Inventory account balance, Job No. 74

b. Cost of goods completed

c. Amount of overhead under- or overapplied.

d. Direct materials used

e. Direct materials purchased

77. Quicker Company uses a job order costing system. On May 1, Quicker Company's Work in Process Inventory account shows a beginning balance of $161,000. Production activity for May was as follows: Materials costing $91,000, along with operating supplies of $18,000, were requisitioned into production. Quicker Company's *total* payroll was $316,000, of which $77,000 was indirect labor. Overhead is applied at a rate of 120 percent of direct labor cost. Quicker's Cost of Goods Sold for the month of May was $692,000. Finished Goods Inventory was $71,500 on May 1 and $84,000 on May 31. (Quicker does not close out overhead accounts until year-end.)

a. Calculate Quicker's cost of goods completed for May.

b. Calculate Quicker's work in process ending inventory (May 31).

c. One of the jobs that was started in May, Job 266, was completed in June. Job 266 was 200 special-order lamps. The following costs had been applied to Job 266 as of June 1: direct materials, $1,400; direct labor, $1,800; overhead, $2,160. In June, $580 in direct materials cost and $900 of direct labor cost were added to complete Job 266. What was the cost per unit for Job 266? (Show your computations.)

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

	Department A	*Department B*
Estimated overhead	$40,600	$88,000
Estimated machine hours	5,800	12,500
Estimated direct labor dollars	$40,000	$40,000
Estimated direct labor hours	5,000	3,125

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

	Department A	*Department B*
Direct materials	$800	$950
Direct labor dollars	$490	$180
Direct labor hours	30	12
Machine hours	15	30

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

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

On September 11, 20xx, Those Guys ordered 200 beginner guitars which were completed on October 13, 20xx. The Job Order number is 1031. Complete the job order cost card based on the following information:

	September	*October*
Direct materials	$1,800	$1,950
Direct labor dollars	$1,500	$1,800
Direct labor hours	100	120
Machine hours	20	30

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

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

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

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

	Preparation	*Research & Planning*
Accountant hours	30	4
Research hours	0	8
Materials and supplies	$ 25	$ 15
Accountant labor costs	1,800	180

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

Chapter 03 - Costing Systems- Job Order Costing Key

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

2. Unlike a job order costing system, a process costing system is not restricted to one Work in Process Inventory account.
TRUE

3. Unique products are produced in a continuous flow production process.
FALSE

4. Job order costing is used by companies that make large or unique products.
TRUE

5. In a job order costing system, product costs are traced to work cells.
FALSE

6. The typical product costing system in a factory incorporates parts of both job order costing and process costing to create a hybrid system.
TRUE

7. The production process determines the product costing system needed.
TRUE

8. Few actual production processes fit the definitions of job order costing or process costing exactly.
TRUE

9. A basic part of a job order costing system is the set of procedures and entries used to record the costs incurred for materials, labor, and overhead.
TRUE

10. In a job order costing system, at the end of the accounting period, the balance in the subsidiary ledger for unfinished jobs should equal the ending balance in the Work in Process Inventory account.
TRUE

11. In a job order costing system, the Factory Payroll account is a clearing account.
TRUE

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

13. Job order cost cards for incomplete jobs make up the subsidiary ledger for the Finished Goods Inventory account.
FALSE

14. When a job has been completed, all of the costs assigned to that job order are moved to the Finished Goods Inventory account.
TRUE

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

16. In a job order costing system, indirect labor costs incurred are charged to the Work in Process Inventory account.
FALSE

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

18. In a job order costing system, when supplies are issued from inventory to production, the Overhead account is increased.
TRUE

19. In a job order costing system, indirect labor costs are transferred to the Overhead account by increasing the Factory Payroll account and decreasing the Overhead account.
FALSE

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

21. The ending balance in the Work in Process Inventory account is supported by individual Overhead account balances.
FALSE

22. A zero balance in Finished Goods Inventory at the start of the period means all previously completed products have been shipped.
TRUE

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

24. If applied overhead exceeds actual overhead, cost of goods sold must be reduced by the amount of the overcharge in a job order costing system.
TRUE

25. After a job is completed, the product unit cost can be determined from the job order cost card.
TRUE

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

27. In cost-plus contracts, the “plus” is the sales price.
FALSE

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

29. A job order cost card is a type of subsidiary ledger.
TRUE

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

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

32. The flow of costs into a Work in Process Inventory account is very similar for job order and process costing systems.
TRUE

33. The type of product costing system used by a company is dictated by the
A. project manager.
B. production process.
C. company president.
D. plant supervisor.

34. Product costs appear on the income statement in the form of
A. cost of goods sold.
B. materials inventory.
C. sales commissions.
D. none of these.

35. Accounting for the incurrence of _____ does not change significantly between job order costing and process costing.
A. selling expenses
B. direct materials and conversion costs
C. direct materials costs
D. conversion costs

36. Which of the following is *not* an objective of product costing systems?
A. To provide information for cost planning
B. To assist in the preparation of the income statement
C. To determine the optimal amount of products to manufacture
D. To provide information for product pricing

37. Which of the following is *not* a characteristic of a job order costing system?
A. Uses only one Work in Process Inventory account
B. Uses job cost cards to keep track of each job in process
C. Assigns costs to specific batches of products
D. Measures costs for a set time period

38. Which of the following products probably would be manufactured using a job order costing system?
A. Paper
B. Baseball
C. Computer monitors
D. Company business cards

39. Which of the following accurately describes a difference between job order and process costing systems?
A. In job order costing systems, overhead costs are treated as product costs, whereas in process costing systems, overhead costs are treated as period costs.
B. Job order costing systems do not need to assign costs to production, whereas process costing systems do.
C. In job order costing systems, costs are traced to products, whereas in process costing systems, costs are traced to processes, departments and work cells.
D. Since costs are assigned to products in a job order costing system, selling costs are treated as product costs in the job order costing system, whereas they are treated as period costs in process costing systems.

40. When the amount of overhead applied differs from actual, the dollar amount it is usually written off to
A. Cost of Goods Sold.
B. Work in Process Inventory.
C. Finished Goods Inventory.
D. Miscellaneous Expense.

41. If the applied overhead is more than actual overhead, which of the following is part of the entry?
A. A credit to the Overhead account
B. A debit to the Overhead account
C. A debit to the Cost of Goods Sold account
D. A debit to the Work in Process Inventory account

42. Applied overhead exceeds actual overhead when the
A. Overhead account has a credit balance.
B. journal entry to account for the difference involves a debit to Cost of Goods Sold.
C. Overhead account has a debit balance.
D. company has overspent in the overhead cost area.

43. If there is a credit balance in the Factory Payroll Payable at the end of the accounting period, it represents
A. the amount by which applied payroll was greater than actual payroll.
B. the amount by which actual payroll was greater than applied payroll.
C. labor costs which have not yet been distributed.
D. an amount that should be charged to Cost of Goods Sold.

44. When Dimock Construction's Designer House #10 is completed, Dimock's
A. work in process is increased.
B. total assets are increased.
C. work in process is decreased.
D. total assets are decreased.

45. The total of the dollar amounts on the job order cost cards that have not been completed would be equal to the
A. cost of goods completed.
B. balance in the Finished Goods Inventory account.
C. Cost of Goods Sold account.
D. balance in the Work in Process Inventory account.

46. Costs assigned to the building of a house should appear on the income statement when
A. the house is completed.
B. the house is sold.
C. the purchase order to manufacture the house is received.
D. cash is collected for the sale of the house.

47. The basic document for keeping track of costs in a job order costing system is a
A. job order cost card.
B. labor time card.
C. process cost report.
D. materials requisition form.

48. Under a job order costing system, the dollar amount of the entry involved in the transfer of goods from work in process to finished goods is the total of the costs charged to all jobs
A. started during the period.
B. completed and sold during the period.
C. completed during the period.
D. started and completed during the period.

49. In a job order costing system, the subsidiary ledger for the Work in Process Inventory account consists of
A. time cards.
B. conversion cost cards.
C. job order cost cards.
D. product cost cards.

50. When direct materials are issued from inventory to production under a job order costing system, an increase is recorded in
A. Overhead.
B. Work in Process Inventory.
C. Materials Inventory.
D. Finished Goods Inventory.

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

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

If $72,400 of materials were charged to Job 88's job cost card, how much overhead was applied to Job 88?
A. $35,100
B. $70,000
C. $72,400
D. $120,000

52. The balance in the Work in Process Inventory account on April 1 was $26,800, and the balance on April 30 was $22,600. Costs incurred during the month were as follows: direct materials, $41,250; direct labor, $21,300; and overhead, $32,600. What amount was transferred to the Finished Goods Inventory account for April?
A. $99,350
B. $4,200
C. $90,350
D. $121,950

53. Unit costs for each job are computed by dividing
A. estimated total costs by planned units to be produced.
B. actual costs by actual units sold.
C. cost of direct materials, direct labor, and overhead by number of units produced.
D. estimated total costs by actual units produced.

54. The _____ provide(s) the most direct means of calculating unit costs for a job.
A. job order cost card
B. Finished Goods Inventory account
C. general ledger
D. Overhead and Work in Process Inventory accounts

55. The following information is available at the end of the period for the completed Job 713:

Beginning balance	$21,500.00
Direct materials	30,600
Direct labor	24,500
Overhead applied	41,700
Adjustment—overapplied overhead	1,600
Total number of units produced	30,000
Total number of units sold	28,500

What is the unit cost for Job 713?

A. $3.94
B. $3.89
C. $4.00
D. $4.09

56. The balance in the Work in Process account equals the

A. balance in the Finished Goods Inventory account.
B. balance in the Cost of Goods Sold account.
C. balances on the job cost sheets of uncompleted jobs.
D. balance in the Overhead account.

57. Actual overhead during the year was more than applied overhead, the journal entry to close the Overhead account for the difference?

A. Overhead XX
Cost of Goods Sold XX

B. Cost of Goods Sold XX
Overhead XX

C. Overhead XX
Finished Goods Inventory XX

D. Cost of Goods Sold XX
Finished Goods Inventory XX

58. Which one of the following entries includes the initial application of indirect labor to production?

A. Work in Process Inventory XX
Overhead XX

B. Overhead XX
Work in Process Inventory XX

C. Overhead XX
Factory Payroll XX

D. Factory Payroll XX
Overhead XX

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

A. Materials Inventory XX
Work in Process Inventory XX

B. Materials Inventory XX
Accounts Payable XX

C. Work in Process Inventory XX
Accounts Payable XX

D. Accounts Payable XX
Materials Inventory XX

60. Service organizations incur little or no cost for

A. applied overhead.
B. actual overhead.
C. materials.
D. labor.

61. The following partially completed T accounts summarize the transactions of Carlton Company for last year:

	Materials Inventory			
	Beg Bal	5,000	20,000	(2)
	(1)	17,000		
	Work in Process Inventory			
	Beg Bal	9,000	63,600	(7)
	(2)	13,000		
	(4)	16,000		
	(6)	29,000		
	Overhead			
	(2)	7,000	29,000	(6)
	(3)	14,000		
	(4)	6,000		
	(5)	3,000		
	Cost of Goods Sold			
	Accounts Payable			
			17,000	(1)
			3,000	(5)
	Finished Goods Inventory			
	Beg Bal	16,000		
	(7)	63,600		
	End Bal	13,000		
	Payroll Payable			
			5,000	Beg Bal
			31,000	(4)

	Office Salaries Expense			
	(4)	9,000		
	Accumulated Depreciation (Factory)			
			80,000	Beg Bal
			14,000	(3)

At the end of the year, the company closes out the balance in the Overhead account to Cost of Goods Sold.

The indirect labor cost is

A. $6,000.
B. $13,000.
C. $16,000.
D. $31,000.

62. The following partially completed T accounts summarize the transactions of Carlton Company for last year:

	Materials Inventory			
	Beg Bal	5,000	20,000	(2)
	(1)	17,000		
	Work in Process Inventory			
	Beg Bal	9,000	63,600	(7)
	(2)	13,000		
	(4)	16,000		
	(6)	29,000		
	Overhead			
	(2)	7,000	29,000	(6)
	(3)	14,000		
	(4)	6,000		
	(5)	3,000		
	Cost of Goods Sold			
	Accounts Payable			
			17,000	(1)
			3,000	(5)
	Finished Goods Inventory			
	Beg Bal	16,000		
	(7)	63,600		
	End Bal	13,000		
	Payroll Payable			
			5,000	Beg Bal
			31,000	(4)

	Office Salaries Expense			
	(4)	9,000		
	Accumulated Depreciation (Factory)			
			80,000	Beg Bal
			14,000	(3)

At the end of the year, the company closes out the balance in the Overhead account to Cost of Goods Sold.

The cost of goods manufactured is

A. $59,600.
B. $61,600.
C. $62,600.
D. $63,600.

63. The following partially completed T accounts summarize the transactions of Carlton Company for last year:

	Materials Inventory			
	Beg Bal	5,000	20,000	(2)
	(1)	17,000		
	Work in Process Inventory			
	Beg Bal	9,000	63,600	(7)
	(2)	13,000		
	(4)	16,000		
	(6)	29,000		
	Overhead			
	(2)	7,000	29,000	(6)
	(3)	14,000		
	(4)	6,000		
	(5)	3,000		
	Cost of Goods Sold			
	Accounts Payable			
			17,000	(1)
			3,000	(5)
	Finished Goods Inventory			
	Beg Bal	16,000		
	(7)	63,600		
	End Bal	13,000		
	Payroll Payable			
			5,000	Beg Bal
			31,000	(4)

	Office Salaries Expense			
	(4)	9,000		
	Accumulated Depreciation (Factory)			
			80,000	Beg Bal
			14,000	(3)

At the end of the year, the company closes out the balance in the Overhead account to Cost of Goods Sold.

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

A. $64,600.
B. $65,600.
C. $66,600.
D. 67,600

64. The following partially completed T accounts summarize the transactions of Carlton Company for last year:

	Materials Inventory			
	Beg Bal	5,000	20,000	(2)
	(1)	17,000		
	Work in Process Inventory			
	Beg Bal	9,000	63,600	(7)
	(2)	13,000		
	(4)	16,000		
	(6)	29,000		
	Overhead			
	(2)	7,000	29,000	(6)
	(3)	14,000		
	(4)	6,000		
	(5)	3,000		
	Cost of Goods Sold			
	Accounts Payable			
			17,000	(1)
			3,000	(5)
	Finished Goods Inventory			
	Beg Bal	16,000		
	(7)	63,600		
	End Bal	13,000		
	Payroll Payable			
			5,000	Beg Bal
			31,000	(4)

	Office Salaries Expense			
	(4)	9,000		
	Accumulated Depreciation (Factory)			
			80,000	Beg Bal
			14,000	(3)

At the end of the year, the company closes out the balance in the Overhead account to Cost of Goods Sold.

The applied overhead is

A. $28,000.
B. $29,000.
C. $30,000.
D. $40,000.

65. The following partially completed T accounts summarize the transactions of Carlton Company for last year:

	Materials Inventory			
	Beg Bal	5,000	20,000	(2)
	(1)	17,000		
	Work in Process Inventory			
	Beg Bal	9,000	63,600	(7)
	(2)	13,000		
	(4)	16,000		
	(6)	29,000		
	Overhead			
	(2)	7,000	29,000	(6)
	(3)	14,000		
	(4)	6,000		
	(5)	3,000		
	Cost of Goods Sold			
	Accounts Payable			
			17,000	(1)
			3,000	(5)
	Finished Goods Inventory			
	Beg Bal	16,000		
	(7)	63,600		
	End Bal	13,000		
	Payroll Payable			
			5,000	Beg Bal
			31,000	(4)

	Office Salaries Expense			
	(4)	9,000		
	Accumulated Depreciation (Factory)			
			80,000	Beg Bal
			14,000	(3)

At the end of the year, the company closes out the balance in the Overhead account to Cost of Goods Sold.

The cost of direct materials used in production is
A. $12,000.
B. $13,000.
C. $16,000.
D. $20,000.

66. When a job is completed in a service organization, the job costs are transferred to the
A. Work in Process Inventory account.
B. Finished Goods Inventory account.
C. Cost of Goods Sold account.
D. Cost of Services account.

67. In cost-plus contracts, the "plus" represents
A. sales price.
B. profit, based on the amount of costs incurred.
C. overapplied overhead costs.
D. the amount of any cost overruns.

68. Which of the following could *not* be learned by analyzing job order cost cards?
A. The balance of Work in Process Inventory at the end of the period
B. The cost of all jobs done for a particular customer
C. The completion time of jobs yet to be completed
D. The type of products ordered by a particular customer

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

The main similarity between a job order costing system and a process costing system is that both provide information about product unit cost that managers can use to price products, control costs, value inventory, and prepare financial statements. The main difference is that a job order costing system traces product costs to a specific job order or batch of products and uses a single Work in Process Inventory account to summarize the costs of all jobs. This account is supported by job order cost cards. A process costing system traces the production costs to processes, departments, or work cells. A process costing system uses several Work in Process Inventory accounts—one for each process, department, or work cell.

70. The Work in Process Inventory account for Corbett Company for the month ended June 30 appears below.

Work in Process Inventory			
Beginning Balance	0	Completed	135,800
Direct Materials	38,200		
Direct Labor	48,000		
Overhead	86,400		

Overhead is applied based on direct labor dollars. Direct material costs for the one job remaining in work in process on June 30 was $12,300.
a. What was the overhead rate used to apply overhead to jobs?
b. Determine the amount of direct labor charged to the one remaining job.

a.

$86,400 (overhead applied)	=	1.8 or 180% per direct labor dollar
$48,000 (direct labor dollars)		

b. $8,750

$36,800	ending work in process balance
–12,300	direct materials cost in ending inventory
$24,500	direct labor and overhead
Let X	= direct labor dollars
X + 1.8X	= $24,500
X	= $ 8,750 direct labor
1.8X	= $15,750 overhead

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

$2.40

Job Costs:		
Direct Materials		$ 1,300
Direct Labor		2,500
Overhead:		
Production facility utilities	$ 600	
Depreciation on production equipment	550	
Indirect materials	450	
Indirect labor	900	
Insurance on production facility	700	
Rent on production facility	5,000	
		8,200
Total cost		$12,000
Product unit cost: Total cost / Number of units produced		
($12,000 / 5,000)		$2.40

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

$5.00

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

73. G. M. Richardson, CPA, entered into a cost-plus contract with Ivey Computer Services for software installation and Internet interfacing in her accounting practice. The following is Ivey Computer Services' job cost card for this job. Ivey's profit factor is 30 percent of total costs. Complete the following card, as indicated:

JOB ORDER COST CARD Ivey Computer Services	
Customer:	G.M. Richardson, CPA
Job Order No.:	_____
Contract Type	Cost-Plus
Type of Service	Software Installation and Internet Interfacing
Date of Completion	July 13, 20xx
Costs Charged to Job	Total Cost
Software Installations Services	
Installation labor	$400
Service overhead (b% of installation labor costs)	(a)
Total	$650
Internet Services	
Internet labor	$200
Service overhead (20% of Internet labor costs)	40
Total	$ (c)
Cost Summary to Date	Total Cost
Software Installation Services	$(d)
Internet Services	(e)
Total	$(f)
Profit (30%)	(g)
Contract revenue	$(h)

JOB ORDER COST CARD Ivey Computer Services	
Customer:	G.M. Richardson, CPA
Job Order No.:	
Contract Type:	Cost-Plus
Type of Service:	Software Installation and Internet Interfacing
Date of Completion:	July 13, 20xx
Costs Charged to Job	Total Cost
Software Installations Services	
Installation labor	$ 400
Service overhead (62.5% of installation labor costs)	250
Total	$ 650
Internet Services	
Internet labor	$ 200
Service overhead (20% of Internet labor costs)	40
Total	$ 240
Cost Summary to Date	
Software Installation Services	$ 650
Internet Services	240
Total	$ 890
Profit (30%)	267
Contract revenue	$1,157

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

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

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

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

b. Compute the unit cost for a Rocky bear.

a. Jobs completed

Smokey		
Direct materials	$ 4,500	
Direct labor	6,000	
Overhead ($10 x 400)	4,000	
	$14,500	
Rocky		
Direct materials	$2,700	
Direct labor	3,000	
Overhead ($10 x200)	2000	
	$7700	
Cost transferred to finished goods	Smokey:	$14,500
	Rocky:	7,700
		$22,200

b.

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

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

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

a. A job order costing system is a product costing system used by companies that make large, unique, or special-order products. Companies that manufacture products such as customized publications, specially built cabinets, or made-to-order draperies would use this kind of system. The costs of direct materials, direct labor, and overhead are traced to a specific job order or batch of products.
b. A job order is a customer order for a specific number of specially designed, made-to-order products.
c. Because all costs are charged to one Work in Process Inventory account in a job order costing system, job order cost cards are needed to link those costs to specific jobs. There is one job order cost card for each job being worked on, and all costs for the job are accumulated on that card. Each job order cost card provides space to record the costs of direct materials, direct labor, and applied overhead. In addition, space should be provided for the job order number, product specifications, the customer's name, the date of the order, the projected completion date, and a cost summary.

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

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

Calculate the following amounts:
a. Ending Work in Process Inventory account balance, Job No. 74

b. Cost of goods completed

c. Amount of overhead under- or overapplied.

d. Direct materials used

e. Direct materials purchased

a. Ending Work in Process Inventory	= Direct Materials + Direct Labor Inventory + Applied Overhead
$33,600	= $9,600 + $14,000 + ($10 ´ 1,000 hours)
b. Cost of Goods Completed	= Ending Finished Goods Inventory + Cost of Goods Sold - Beginning Finished Goods Inventory
$185,000	= $26,000 + $171,000 - $12,000
c. Underapplied Overhead	= Actual Overhead - Applied Overhead
$3000	= $48,000 - ($10 ´ 4,500hours)
d. Direct Materials Used	= Ending Work in Process + Cost of Goods Completed - Beginning Work in Process - Direct Labor - Applied Overhead
$93,600	= $33,600 + $185,000 - $17,000 - ($14 ´ 4,500 hours) - $45,000
e. Direct Materials Purchased	= Ending Materials Inventory + Direct Materials Used - Beginning Materials Inventory
$83,600	= $18,000 + $93,600 - $28,000

77. Quicker Company uses a job order costing system. On May 1, Quicker Company's Work in Process Inventory account shows a beginning balance of $161,000. Production activity for May was as follows: Materials costing $91,000, along with operating supplies of $18,000, were requisitioned into production. Quicker Company's *total* payroll was $316,000, of which $77,000 was indirect labor. Overhead is applied at a rate of 120 percent of direct labor cost. Quicker's Cost of Goods Sold for the month of May was $692,000. Finished Goods Inventory was $71,500 on May 1 and $84,000 on May 31. (Quicker does not close out overhead accounts until year-end.)

a. Calculate Quicker's cost of goods completed for May.

b. Calculate Quicker's work in process ending inventory (May 31).

c. One of the jobs that was started in May, Job 266, was completed in June. Job 266 was 200 special-order lamps. The following costs had been applied to Job 266 as of June 1: direct materials, $1,400; direct labor, $1,800; overhead, $2,160. In June, $580 in direct materials cost and $900 of direct labor cost were added to complete Job 266. What was the cost per unit for Job 266? (Show your computations.)

a.

Finished Goods Inventory	
5/1 71,500	
Completed 704,500	692,000 (Cost of Goods Sold)
5/31 84,000	

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

b.

Work in process beginning inventory	$161,000
+ Materials used	91,000
+ Direct labor	239,000 ($316,000 - $77,000)
+ Overhead	286,800 (1.20 ´ $239,000)
Total in work in process	$777,800
- Cost of goods completed	704,500
Work in process ending inventory	$ 73,300

c.

Job 266:	Beginning			
	inventory:	Direct materials	$1,400	
		Direct labor	1,800	
		Overhead	2,160	
	Added in June:	Direct materials	580	
		Direct labor	900	
		Overhead	1,080	(1.20 ´ $900)
		Total cost	$7,920	
	$7,920 ÷ 200 = $39.60 per unit			

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

	Department A	*Department B*
Estimated overhead	$40,600	$88,000
Estimated machine hours	5,800	12,500
Estimated direct labor dollars	$40,000	$40,000
Estimated direct labor hours	5,000	3,125

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

	Department A	*Department B*
Direct materials	$800	$950
Direct labor dollars	$490	$180
Direct labor hours	30	12
Machine hours	15	30

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

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

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

On September 11, 20xx, Those Guys ordered 200 beginner guitars which were completed on October 13, 20xx. The Job Order number is 1031. Complete the job order cost card based on the following information:

	September	*October*
Direct materials	$1,800	$1,950
Direct labor dollars	$1,500	$1,800
Direct labor hours	100	120
Machine hours	20	30

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

			Job Order	1031
JOB ORDER COST CARD				
Taylor Company				
Customer:	Those Guys	Batch:		Custom:
Specifications:	200 Beginner guitars			
Date of Order:	9/11/20xx	Date of Completion:	10/13/20xx	
Costs Charged to Job	Previous Months	Current Month	Cost Summary	
Direct materials	$1,800	$1,950	$ 3,750	
Direct labor	1,500	1,800	3,300	
Overhead				
(110% of direct labor)	1,650	1,980	3,630	
Total cost	$4,950	$5,730	$10,680	
Units completed			÷ 200	
Product unit cost			$ 53.40	

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

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

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

	Preparation	*Research & Planning*
Accountant hours	30	4
Research hours	0	8
Materials and supplies	$ 25	$ 15
Accountant labor costs	1,800	180

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

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

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