Financial and Managerial Accounting: Managerial Chapters, 7e **(Miller-Nobles)**
Chapter M:2 Job Order Costing

Learning Objective M:2-1

1) A cost accounting system will assist a manager in determining how many and which products to produce.
Answer: TRUE
Diff: 1
LO: M:2-1
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Manufacturing Companies Use Job Order and Process Costing Systems? (H1)

2) The information from a cost accounting system allows managers to make decisions about planning and directing, but not about controlling.
Answer: FALSE
Explanation: Cost accounting information does help managers control operations.
Diff: 1
LO: M:2-1
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Manufacturing Companies Use Job Order and Process Costing Systems? (H1)

3) Cost accounting systems are primarily concerned with accumulating product cost information.
Answer: TRUE
Diff: 1
LO: M:2-1
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Manufacturing Companies Use Job Order and Process Costing Systems? (H1)

4) _____ measure, record, and report product costs.
A) Cost accounting systems
B) Job cost records
C) Material requisitions
D) Accounting record systems
Answer: A
Diff: 1
LO: M:2-1
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Manufacturing Companies Use Job Order and Process Costing Systems? (H1)

5) The two main types of cost accounting systems are _____.
A) job order costing and job costs records
B) process costing and job cost records
C) process costing and material requisitions
D) job order costing and process costing
Answer: D
Diff: 2
LO: M:2-1
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Manufacturing Companies Use Job Order and Process Costing Systems? (H1)

6) One of the major purposes of a cost accounting system for a manufacturer is to _____.
A) compute the cost of goods sold for the income statement
B) classify all costs as operating or marketing costs
C) assist creditors in determining whether to grant a loan
D) show investors a company is operating efficiently
Answer: A
Diff: 1
LO: M:2-1
AACSB: Application of knowledge
AICPA Functional: Reporting
PE Question Type: Concept
H2: How Do Manufacturing Companies Use Job Order and Process Costing Systems? (H1)

7) Cost accounting systems are used _____.
A) to accumulate product cost information
B) to accumulate and assign period costs to products
C) by manufacturing companies, not service companies
D) by stockholders for decision-making purposes
Answer: A
Diff: 2
LO: M:2-1
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Manufacturing Companies Use Job Order and Process Costing Systems? (H1)

8) Accounting firms, building contractors, and healthcare providers use process costing.
Answer: FALSE
Explanation: These types of firms typically use job order costing.
Diff: 1
LO: M:2-1
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Concept
H2: Job Order Costing

9) A job order costing system is used by companies that manufacture batches of unique products or provide specialized services.
Answer: TRUE
Diff: 1
LO: M:2-1
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Job Order Costing

10) Lawyers, building contractors, and healthcare providers use job order costing.
Answer: TRUE
Diff: 1
LO: M:2-1
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Job Order Costing

11) A job order costing system accumulates the costs of each process needed to complete the product over a period of time instead of assigning costs to specific jobs.
Answer: FALSE
Explanation: Job order cost systems assign costs to specific jobs.
Diff: 1
LO: M:2-1
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Job Order Costing

12) Which of the following would most likely be accounted for using a job order costing system?
A) the production of potato chips
B) the production of sports energy drinks
C) the creation of wedding photography portraits
D) the refining of gasoline
Answer: C
Diff: 2
LO: M:2-1
AACSB: Application of knowledge
AICPA Functional: Reporting
PE Question Type: Critical thinking
H2: Job Order Costing

13) Which one of the following companies is most likely to use job order costing?
A) an oil refinery
B) an auto repair shop
C) a potato chip manufacturer
D) a cotton mill
Answer: B
Diff: 2
LO: M:2-1
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Application
H2: Job Order Costing

14) Job order costing _____.
A) keeps track of costs that are accumulated by process
B) keeps track of costs associated with each job
C) is used by companies that manufacture identical units through a series of uniform production steps or processes
D) keeps track of costs only at the end of the accounting period
Answer: B
Diff: 2
LO: M:2-1
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Application
H2: Job Order Costing

15) Which one of the following companies is most likely to use job order costing?
A) a gold refinery
B) a law firm
C) a surfboard manufacturer
D) a soft drink company
Answer: B
Diff: 2
LO: M:2-1
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Application
H2: Job Order Costing

16) Which of the following is a reason why a job order costing system is appropriate for a custom furniture manufacturer?
A) The cost incurred for each job will differ as per the order specifications.
B) The direct costs incurred for each job are the same, only indirect costs vary.
C) The raw materials used have already been accounted for using process costing.
D) Custom furniture manufacturers produce large quantities of similar products.
Answer: A
Diff: 2
LO: M:2-1
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Job Order Costing

17) Define a job order costing system and list two types of businesses that would use a job order costing system.
Answer: A job order costing system is an accounting system that accumulates costs by job. Businesses that would use a job order costing system include accounting firms, music studios, health care providers, building contractors, and custom furniture manufacturers.
Diff: 1
LO: M:2-1
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Job Order Costing

18) For each of the following types of business, indicate why the manager needs to know the unit cost information.

Managers of a	**Need to know the cost to**
Bakery	
Computer manufacturer	
Bank	
Seamstress	

Answer:

Managers of a	**Need to know the cost to**
Bakery	Make a cake and price the cake
Computer manufacturer	Make a computer and price the computer
Bank	Service a customer's account and set a fee for the account
Seamstress	Make a garment and set a price for the garment

Diff: 2
LO: M:2-1
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Job Order Costing

19) A process costing system is used when a company produces identical units through a series of production steps.
Answer: TRUE
Diff: 1
LO: M:2-1
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Process Costing

20) A job order costing system would be appropriate for a manufacturing company that manufactures identical units through a series of uniform production steps.
Answer: FALSE
Explanation: A job order costing system would be appropriate for a manufacturing company that produces batches of unique products or companies that provide specialized services. A job order costing system accumulates costs for each unique batch or job.
Diff: 1
LO: M:2-1
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Process Costing

21) A process costing system would be appropriate for a manufacturing company that manufactures identical units through a series of uniform production steps.
Answer: TRUE
Diff: 1
LO: M:2-1
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Process Costing

22) Some companies may use both job order costing and process costing.
Answer: TRUE
Diff: 1
LO: M:2-1
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Process Costing

23) Which of the following statements is true of costing systems?
A) A process costing system would be used by manufacturers of custom-made perfumes.
B) A job order costing system would be used by manufacturers of baking utensils.
C) A construction company would likely use a process costing system.
D) An accounting firm would likely use a job order costing system.
Answer: D
Diff: 2
LO: M:2-1
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Process Costing

24) Which of the following companies is most likely to use process costing?
A) a music studio
B) a breakfast cereal company
C) an accounting firm
D) a building contractor
Answer: B
Diff: 2
LO: M:2-1
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Concept
H2: Process Costing

25) Which of the following would use a process costing system rather than a job order costing system?
A) a health-care service provider
B) a music production studio
C) a paint manufacturer
D) a home remodeling contracting company
Answer: C
Diff: 2
LO: M:2-1
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Process Costing

26) Which of the following businesses is most likely to use a process costing system?
A) a baker producing cakes to order
B) a legal service provider
C) an audit service provider
D) a candy manufacturer
Answer: D
Diff: 2
LO: M:2-1
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Process Costing

27) Which of the following is the correct order of the four steps of tracking product costs?
A) assign → accumulate → allocate → adjust
B) accumulate → assign → allocate → adjust
C) adjust → allocate → accumulate → assign
D) allocate → adjust → accumulate → assign
Answer: B
Diff: 2
LO: M:2-1
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Process Costing

28) Both job order and process costing systems use a four-step method to track product costs. List each of the four steps.
Answer:
1. Accumulate
2. Assign
3. Allocate
4. Adjust
Diff: 1
LO: M:2-1
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Process Costing

29) Define a process costing system and list two types of businesses that would use a process costing system.
Answer: A process costing system is an accounting system that accumulates costs by process. Businesses that would use a process costing system include a soft drink company, medical equipment manufacturer, and surf board manufacturer.
Diff: 1
LO: M:2-1
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Process Costing

Learning Objective M:2-2

1) The costs transferred from Work-in-Process Inventory to Finished Goods Inventory are called Cost of Goods Manufactured.
Answer: TRUE
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Materials and Labor Costs Flow Through the Job Order Costing System? (H1)

2) A document that shows the direct materials, direct labor, and manufacturing overhead costs for an individual job is a job cost record.
Answer: TRUE
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Materials and Labor Costs Flow Through the Job Order Costing System? (H1)

3) In a job order costing system, companies must accumulate costs and then assign costs to each job.
Answer: TRUE
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Materials and Labor Costs Flow Through the Job Order Costing System? (H1)

4) A company starts the job cost record when the job is completed.
Answer: FALSE
Explanation: A company starts the job cost record when the work is started.
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Materials and Labor Costs Flow Through the Job Order Costing System? (H1)

5) When the company completes a job, the costs are transferred to _____.
A) Cost of Goods Manufactured
B) Cost of Goods Sold
C) Finished Goods Inventory
D) Work-in-Process Inventory
Answer: C
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Materials and Labor Costs Flow Through the Job Order Costing System? (H1)

6) A document that shows the direct materials, direct labor, and manufacturing overhead costs for an individual job is called a _____.
A) materials requisition record
B) cost of goods sold record
C) job cost record
D) finished goods record
Answer: C
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Materials and Labor Costs Flow Through the Job Order Costing System? (H1)

7) The costs transferred to Finished Goods Inventory are called _____.
A) Cost of Goods Manufactured
B) Cost of Goods Sold
C) Work-in-Process Inventory
D) Sales Revenue
Answer: A
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Materials and Labor Costs Flow Through the Job Order Costing System? (H1)

8) The flow of costs in a job order costing system _____.
A) cannot be determined until all jobs are complete
B) transfers all costs to manufacturing overhead
C) involves accumulating costs and then assigning costs to jobs
D) includes the major steps of accumulating and amortizing
Answer: C
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Materials and Labor Costs Flow Through the Job Order Costing System? (H1)

9) Which of the following best describes a job cost record?
A) a form used to track the transfer of raw materials to the production floor
B) a record that shows the raw materials balance as well as raw materials received and issued
C) a document that shows direct materials, direct labor and manufacturing overhead costs for an individual job
D) a record of employee productivity and downtime for a particular job
Answer: C
Diff: 2
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Reporting
PE Question Type: Concept
H2: How Do Materials and Labor Costs Flow Through the Job Order Costing System? (H1)

10) For each of the following accounts, indicate what EVENT causes the account to increase and to decrease. The answer is not debit or credit.

Account	Is increased by:	Is decreased by:
Raw Materials Inventory		
Work-in-Process Inventory		
Finished Goods Inventory		
Cost of Goods Sold		

Answer:

Account	Is increased by:	Is decreased by:
Raw Materials Inventory	Materials purchased	Materials used
Work-in-Process Inventory	Direct materials used Direct labor incurred Manufacturing overhead allocated	Completion of jobs
Finished Goods Inventory	Completion of jobs	Shipping of sold units
Cost of Goods Sold	Shipping of sold units Adjusting entry	Adjusting entry

Diff: 2
LO: M:2-2
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: How Do Materials and Labor Costs Flow Through the Job Order Costing System? (H1)

11) What is cost of goods manufactured? Describe the flow of this cost through the job order costing system. Your answer should include the accounts involved and whether the flow involves a debit or credit.
Answer: When a job is completed, the costs are transferred out of Work-in-Process with a credit and transferred into Finished Goods Inventory with a debit. This amount is called Cost of Goods Manufactured. Cost of Goods Manufactured includes the materials used, the direct labor costs incurred and the manufacturing overhead applied as a result of transforming the materials into a finished good.
Diff: 2
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: How Do Materials and Labor Costs Flow Through the Job Order Costing System? (H1)

12) When direct materials are received on the production floor, they are recorded on the job cost record.
Answer: TRUE
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Materials

13) When raw materials are requisitioned for a job, the Raw Materials Inventory account is debited.
Answer: FALSE
Explanation: When raw materials are requisitioned for a job, the Raw Materials Inventory account is credited and the Work-in-Process is debited.
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Materials

14) Manufacturing Overhead is a temporary account used to accumulate indirect production costs during the accounting period.
Answer: TRUE
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Materials

15) The cost of indirect materials is transferred out of the Manufacturing Overhead account and accumulated in the Raw Materials Inventory account.
Answer: FALSE
Explanation: The cost of indirect materials is transferred out of Raw Materials Inventory and into the Manufacturing Overhead account.
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Materials

16) The entry to record the purchase of raw materials on account would include a _____.
A) debit to the Raw Materials Inventory account
B) debit to the Work-in-Process Inventory account
C) credit to the Work-in-Process Inventory account
D) credit to the Raw Materials Inventory account
Answer: A
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Materials

17) Which of the following accounts would be debited in the journal entry to record the issuance of direct materials?
A) Cost of Goods Sold
B) Work-in-Process Inventory
C) Finished Goods Inventory
D) Raw Materials Inventory
Answer: B
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Materials

18) Manufacturing Overhead is a temporary account used to _____ actual indirect production costs during the accounting period as debits to the account.
A) allocate
B) assign
C) accumulate
D) approximate
Answer: C
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Materials

19) The journal entry to issue indirect materials to production should include a debit to the _____.
A) Finished Goods Inventory account
B) Raw Materials Inventory account
C) Manufacturing Overhead account
D) Work-in-Process Inventory account
Answer: C
Diff: 2
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Materials

20) The journal entry to issue $700 of direct materials and $80 of indirect materials to production involves debit(s) to the _____.
A) Work-in-Process Inventory account for $700 and Finished Goods Inventory account for $80
B) Manufacturing Overhead account for $780
C) Work-in-Process Inventory account for $700 and Manufacturing Overhead account for $80
D) Work-in-Process Inventory account for $780
Answer: C
Diff: 2
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Materials

21) Adelphia Manufacturing issued $75,000 of direct materials and $10,000 of indirect materials for production. Which of the following journal entries would correctly record the transaction?

A)

Raw Materials Inventory	85,000	
Finished Goods Inventory		75,000
Work-in-Process Inventory		10,000

B)

Work-in-Process Inventory	85,000	
Raw Materials Inventory		85,000

C)

Work-in-Process Inventory	75,000	
Manufacturing Overhead	10,000	
Raw Materials Inventory		85,000

D)

Manufacturing Overhead	85,000	
Raw Materials Inventory		85,000

Answer: C
Diff: 2
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Materials

22) Uniq Works purchased raw materials amounting to $129,000 on account and $15,000 for cash. The materials will be used to manufacture upholstery for furniture manufacturers on a contract basis. Which of the following journal entries correctly records this transaction?

A)

Accounts Payable	129,000	
Cash	15,000	
Raw Materials Inventory		144,000

B)

Finished Goods Inventory	144,000	
Accounts Payable		144,000

C)

Work-in-Process Inventory	144,000	
Accounts Payable		144,000

D)

Raw Materials Inventory	144,000	
Cash		15,000
Accounts Payable		129,000

Answer: D
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Materials

23) The accounts of Delphinia Dreams, Inc. showed the following balances at the beginning of October:

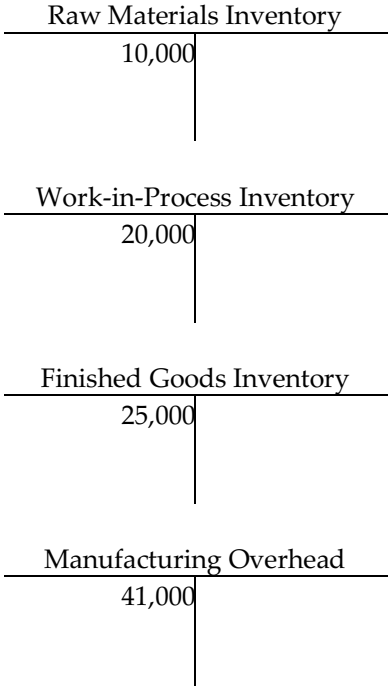
Account	Debit
Raw Materials Inventory	$30,000
Work-in-Process Inventory	43,000
Finished Goods Inventory	52,000
Manufacturing Overhead	21,000

During the month, direct materials amounting to $20,000 and indirect materials amounting to $4,000 were issued to production. What is the ending balance in the Work-in-Process Inventory account following these two transactions?
A) $43,000
B) $63,000
C) $9,000
D) $25,000
Answer: B
Explanation:

Beginning balance in WIP	$43,000
Add: Direct Materials transferred	20,000
Ending balance	$63,000

Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Materials

24) On June 1, Dalton Productions had beginning balances as shown in the T-accounts below.



During June, the following transaction took place:
June 2: Issued $2,800 of direct materials and $400 of indirect materials to production.

What was the balance in the Manufacturing Overhead account following this transaction?
A) $44,200
B) $43,800
C) $41,400
D) $41,000
Answer: C
Explanation:

Beginning balance in Manufacturing OH	$41,000
Add: Indirect materials transferred	400
Ending balance	$41,400

Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Materials

25) What is an advantage of using a raw materials subsidiary ledger?
A) It includes only one large record for all materials used, so materials details are combined into one location.
B) It is less detailed than the general ledger, giving a broader overview for decision purposes.
C) It allows for better control of inventory because it tracks each type of material used in production.
D) It contributes to easier recordkeeping since the sum of the balances of the subsidiary ledger do not have to match general ledger totals.
Answer: C
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Reporting
PE Question Type: Critical thinking
H2: Materials

26) Direct materials costs are transferred out of Raw Materials Inventory and assigned to _____.
A) Manufacturing Overhead
B) Cost of Goods Sold
C) Work-in-Process Inventory
D) Finished Goods Inventory
Answer: C
Diff: 2
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Materials

27) Materials costs that are difficult to trace to a particular job are debited to _____.
A) Manufacturing Overhead
B) Cost of Goods Sold
C) Work-in-Process Inventory
D) Finished Goods Inventory
Answer: A
Diff: 2
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Materials

28) _____ is a temporary account used to accumulated indirect production costs during the accounting period as credits to the account.
A) Manufacturing Overhead
B) Cost of Goods Sold
C) Work-in-Process Inventory
D) Finished Goods Inventory
Answer: A
Diff: 2
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Materials

29) Raw Materials Inventory has a balance of $540,000 and Work-in-Process Inventory has a balance of $20,000. If $300,000 of materials is requisitioned for Job 310, what is the balance in Raw Materials Inventory after the requisition?
A) $240,000
B) $840,000
C) $320,000
D) $280,000
Answer: A
Diff: 2
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Materials

30) Raw Materials Inventory has a balance of $570,000 and Work-in-Process Inventory has a balance of $40,000. If $310,000 of direct materials is requisitioned for Job 310, what is the balance in Work-in-Process Inventory after the requisition?
A) $260,000
B) $880,000
C) $350,000
D) $270,000
Answer: C
Diff: 2
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Materials

31) Trevor Manufacturing purchased on account $94,000 of direct materials and $1,000 of indirect materials. Which of the following journal entries would correctly record the transaction?

A)

Raw Materials Inventory	95,000	
Finished Goods Inventory		94,000
Work-in-Process Inventory		1,000

B)

Work-in-Process Inventory	95,000	
Raw Materials Inventory		95,000

C)

Work-in-Process Inventory	94,000	
Manufacturing Overhead	1,000	
Raw Materials Inventory		95,000

D)

Raw Materials Inventory	95,000	
Accounts Payable		95,000

Answer: D
Diff: 2
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Materials

32) Smith Manufacturing purchased on account $53,000 of direct materials and $3,000 of indirect materials. Which of the following journal entries would correctly record the transaction?

A)

Raw Materials Inventory	56,000	
Finished Goods Inventory		53,000
Work-in-Process Inventory		3,000

B)

Raw Materials Inventory	56,000	
Accounts Payable		56,000

C)

Work-in-Process Inventory	53,000	
Manufacturing Overhead	3,000	
Raw Materials Inventory		56,000

D)

Accounts Payable	56,000	
Raw Materials Inventory		56,000

Answer: B
Diff: 2
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Materials

33) Trevor Manufacturing used $92,000 of direct materials and $8,000 of indirect materials in production. Which of the following journal entries would correctly record the transaction?

A)

Raw Materials Inventory	100,000	
Finished Goods Inventory		92,000
Work-in-Process Inventory		8,000

B)

Work-in-Process Inventory	100,000	
Raw Materials Inventory		100,000

C)

Work-in-Process Inventory	92,000	
Manufacturing Overhead	8,000	
Raw Materials Inventory		100,000

D)

Raw Materials Inventory	100,000	
Accounts Payable		100,000

Answer: C
Diff: 2
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Materials

34) What is cost of goods sold? Describe the flow of this cost through the job order costing system. Your answer should include the accounts involved and whether the flow involves a debit or credit.
Answer: When the job is sold, the costs are transferred out of Finished Goods Inventory with a credit and transferred into Cost of Goods Sold with a debit. Cost of goods sold in a manufacturing company represent the cost of the materials, labor, and overhead necessary to produce the product. This amount is the job's cost of goods sold. Cost of Goods Sold is an expense on the income statement.
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Materials

35) Broxsie Fabrication, Inc. issued $60,000 of direct materials and $15,500 of indirect materials to production. Prepare the journal entry to record the transaction. Omit explanation.
Answer:

Work-in-Process Inventory	60,000	
Manufacturing Overhead	15,500	
Raw Materials Inventory		75,500

Diff: 2
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Materials

36) Pandora Manufacturing purchased $95,000 of raw materials on account and $5,000 of raw materials for cash. The materials will be used to produce furniture. Provide the journal entry for the purchase of materials. Omit explanation.
Answer:

Raw Materials Inventory	100,000	
Accounts Payable		95,000
Cash		5,000

Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Materials

37) Work-in-Process Inventory is debited when indirect labor costs are incurred in a job order costing system.
Answer: FALSE
Diff: 2
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Labor

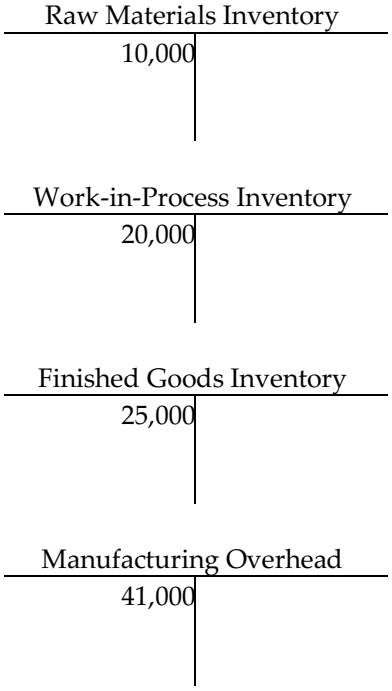
38) The actual direct labor costs are assigned to individual jobs, and the actual direct labor cost is recorded with a debit to Work-in-Process Inventory.
Answer: TRUE
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Labor

39) Most companies streamline the tracking of labor costs through electronic means, using employee ID cards and job numbers to assign labor charges to individual jobs.
Answer: TRUE
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Labor

40) Costs identified as indirect labor should be _____.
A) charged to manufacturing overhead
B) charged to direct labor on the job cost record
C) ignored since they are not relevant
D) charged to salaries payable
Answer: A
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Labor

41) The journal entry to record direct labor costs actually incurred involves a debit to the _____.
A) Work-in-Process Inventory account
B) Wages Payable account
C) Manufacturing Overhead account
D) Raw Materials Inventory account
Answer: A
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Labor

42) On June 1, Westbrook Productions had beginning balances as shown in the T-accounts below.



During June, the following transactions took place:
June 2: Issued $3,000 of direct materials and $800 of indirect materials to production.
June 13: Incurred $6,700 of direct factory labor cost and $14,800 of indirect factory labor cost.

What was the balance in the Manufacturing Overhead account following these transactions?
A) $41,800
B) $56,600
C) $55,800
D) $58,800
Answer: B
Explanation:

Beginning balance in Manufacturing OH	$41,000
Add: Indirect materials transferred	800
Indirect labor	14,800
Ending balance	$56,600

Diff: 2
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Labor

43) The journal entry to record indirect labor costs incurred involves a debit to the _____.
A) Manufacturing Overhead account
B) Wages Payable account
C) Finished Goods Inventory account
D) Work-in-Process Inventory account
Answer: A
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Labor

44) The journal entry to record $1,600 of direct labor and $200 of indirect labor incurred will include debit(s) to the _____.
A) Manufacturing Overhead account for $1,800
B) Work-in-Process Inventory account for $1,600 and Finished Goods Inventory account for $200
C) Finished Goods Inventory account for $1,800
D) Work-in-Process Inventory account for $1,600 and Manufacturing Overhead account for $200
Answer: D
Diff: 2
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Labor

45) Altec Designs makes fashion clothing and reports the following data for the month of September:

Salaries paid to seamstresses	$120,000
Wages paid to fabric cutters	40,000
Indirect wages	8,000

What is the journal entry to record the total labor charges incurred during September, which will be paid at a later date?

A)

Work-in-Process Inventory	160,000	
Manufacturing Overhead	8,000	
Wages Payable		168,000

B)

Work-in-Process Inventory	168,000	
Wages Payable		168,000

C)

Wages Payable	168,000	
Finished Goods Inventory		128,000
Work-in-Process Inventory		40,000

D)

Manufacturing Overhead	168,000	
Wages Payable		168,000

Answer: A
Diff: 2
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Labor

46) The accounts of Melissa Manufacturing showed the following balances at the beginning of December:

Account	Debit
Raw Materials Inventory	$56,000
Work-in-Process Inventory	85,000
Finished Goods Inventory	36,000
Manufacturing Overhead	24,000

The following transactions took place during the month:
December 2: Issued direct materials $32,000 and indirect materials $7,000 to production.
December 15: Incurred $7,000 and $2,000 toward factory's direct labor cost and indirect labor cost, respectively.

What should be the balance in the Work-in-Process Inventory following these transactions?
A) $124,000
B) $92,000
C) $68,000
D) $87,000
Answer: A
Explanation:

Beginning balance in WIP	$85,000
Add: Direct materials transferred	32,000
Direct factory labor cost	7,000
Ending balance	$124,000

Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Labor

47) If a manual system is used to track labor costs, then each employee completes a _____.
A) labor time record
B) job order cost sheet
C) job cost record
D) labor cost record
Answer: A
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Labor

48) The total direct labor incurred is debited to _____.
A) Finished Goods Inventory
B) Work-in-Process Inventory
C) Cost of Goods Sold
D) Cost of Goods Manufactured
Answer: B
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Labor

49) Work-in-Process Inventory has a debit balance of $89,000 and Manufacturing Overhead has a credit balance of $11,000. If an additional $50,000 of direct labor and $2,000 of indirect labor are incurred during production, what is the balance of Work-in-Process Inventory?
A) $139,000
B) $39,000
C) $13,000
D) $9,000
Answer: A
Explanation: $89,000 + $50,000 = $139,000
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Labor

50) Work-in-Process Inventory has a debit balance of $88,000 and Manufacturing Overhead has a debit balance of $12,000. If an additional $51,000 of direct labor and $1,000 of indirect labor are incurred during production, what is the balance of Manufacturing Overhead?
A) $139,000
B) $37,000
C) $13,000
D) $11,000
Answer: C
Explanation: $12,000 + $1,000 = $13,000
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Labor

51) Specialty Wood Products, Inc. had the following manufacturing labor costs last month:

Woodworkers' wages	$100,000
Indirect laborers' wages	20,000
Maintenance personnel wages	10,000

Provide the journal entry to record the labor costs incurred, which will be paid at a later date. Omit explanation.

Answer:

Work-in-Process Inventory	100,000	
Manufacturing Overhead	30,000	
Wages Payable		130,000

Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Labor

52) Manufacturing reports the following data for the month:

Purchases of raw materials, on account	$55,250
Materials requisitions:	
Direct materials	49,750
Indirect materials	3,700
Labor incurred (not yet paid):	
Direct labor	51,000
Indirect labor	2,500

Journalize the entries relating to materials and labor. Omit explanations.

Answer:

Raw Materials Inventory	55,250	
Accounts Payable		55,250
Work-In-Process Inventory	49,750	
Manufacturing Overhead	3,700	
Raw Materials Inventory		53,450
Work-In-Process Inventory	51,000	
Manufacturing Overhead	2,500	
Wages Payable		53,500

Diff: 2
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Labor

53) When would raw materials associated with the building of a custom home be assigned to the job?
A) when they are transferred from the warehouse to the job site to be used in construction
B) when they are purchased and delivered to the storage warehouse
C) after the job is completed and all materials usage is known
D) after they have accumulated in manufacturing overhead
Answer: A
Diff: 1
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Tying It All Together

54) When would direct labor costs associated with building a custom home be assigned to the job?
A) after first being added to manufacturing overhead
B) when the labor is incurred during construction
C) after the construction has moved from work-in-process to the finished product
D) Only indirect labor is assigned to construction, not direct labor.
Answer: B
Diff: 2
LO: M:2-2
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Tying It All Together

Learning Objective M:2-3

1) Actual manufacturing overhead costs are credited to the Manufacturing Overhead account.
Answer: FALSE
Explanation: Actual manufacturing overhead costs are debited to the Manufacturing Overhead account.
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Overhead Costs Flow Through the Job Order Costing System? (H1)

2) In a manufacturing operation, depreciation of plant equipment should be debited to the Depreciation Expense account.
Answer: FALSE
Explanation: In a manufacturing operation, depreciation of plant equipment should be debited to the Manufacturing Overhead account.
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Overhead Costs Flow Through the Job Order Costing System? (H1)

3) The amount of taxes and insurance incurred and paid for the plant of a manufacturing company should be debited to the Manufacturing Overhead account.
Answer: TRUE
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Overhead Costs Flow Through the Job Order Costing System? (H1)

4) The total amount of manufacturing overhead costs incurred during the period is recorded on the credit side of the Manufacturing Overhead account.
Answer: FALSE
Explanation: The total amount of manufacturing overhead costs incurred during the period is recorded on the debit side of the Manufacturing Overhead account
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: How Do Overhead Costs Flow Through the Job Order Costing System? (H1)

5) When a job order costing system is used, depreciation for the factory equipment is debited to _____.
A) Depreciation Expense
B) Manufacturing Overhead
C) Accumulated Depreciation
D) Work-in Process Inventory
Answer: B
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Overhead Costs Flow Through the Job Order Costing System? (H1)

6) When a job order costing system is used, depreciation for the factory equipment is credited to _____.
A) Depreciation Expense
B) Manufacturing Overhead
C) Accumulated Depreciation
D) Work-in Process Inventory
Answer: C
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Overhead Costs Flow Through the Job Order Costing System? (H1)

7) Which of the following costs will be debited to the Manufacturing Overhead account of a watch manufacturer?
A) Office Utilities
B) Administrative Salaries
C) Factory Rent
D) Advertising
Answer: C
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Overhead Costs Flow Through the Job Order Costing System? (H1)

8) When a job order costing system is used, actual manufacturing overhead costs are debited to _____.
A) expense accounts
B) the Manufacturing Overhead account
C) the Cost of Goods Sold account
D) the Work-In-Process Inventory account
Answer: B
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Overhead Costs Flow Through the Job Order Costing System? (H1)

9) Which of the following will be categorized as a manufacturing overhead cost?
A) depreciation on factory plant and equipment
B) wages paid to assembly line workers
C) administration charges of showroom
D) cost of direct materials used
Answer: A
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Overhead Costs Flow Through the Job Order Costing System? (H1)

10) Which of the following will be debited to the Manufacturing Overhead account of a watch manufacturer?
A) office telephone costs
B) salaries paid to accountants
C) factory electricity costs
D) cost of printing brochures
Answer: C
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Overhead Costs Flow Through the Job Order Costing System? (H1)

11) The accounting for the allocation of overhead costs is a three-step process and occurs at three different points in the accounting cycle. List each of the three steps. For each step indicate when the step occurs and why the step is needed.
Answer: Step 1: The predetermined overhead allocation rate is calculated before the period begins. Managers cannot wait until the end of the period to know the actual total overhead costs. Companies use this predetermined rate to allocate estimated overhead cost to individual jobs.
Step 2: Overhead is allocated during the period. During the period, managers need to allocate overhead to all jobs completed during the period and to jobs still in process at the end of the period. Allocated overhead is added to assigned direct material and direct labor costs. This allows managers to know the total cost of jobs completed and of jobs still in process at the end of the period.
Step 3: Overhead is adjusted at the end of the period. Because the overhead costs have been allocated based on the predetermined overhead allocation rate, the actual overhead costs may not equal the amount of overhead allocated during the period. An adjustment is required to zero out the Manufacturing Overhead account.
Diff: 2
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: How Do Overhead Costs Flow Through the Job Order Costing System? (H1)

12) Traditionally companies have used direct labor hours, direct labor costs and machine hours as the primary cost drivers of manufacturing overhead costs.
Answer: TRUE
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Before the Period - Calculating The Predetermined Overhead Allocation Rate

13) The predetermined overhead allocation rate is calculated after the period begins.
Answer: FALSE
Explanation: The predetermined overhead allocation rate is calculated before the period begins.
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Before the Period - Calculating The Predetermined Overhead Allocation Rate

14) The primary factor that causes a cost to increase or decrease is a cost driver.
Answer: TRUE
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Before the Period - Calculating The Predetermined Overhead Allocation Rate

15) A denominator that links indirect costs to cost objects is the allocation base.
Answer: TRUE
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Before the Period - Calculating The Predetermined Overhead Allocation Rate

16) The predetermined overhead rate is calculated _____.
A) after actual overhead costs have been determined
B) at the end of the accounting period
C) before the accounting period begins
D) after indirect materials and labor have been used in production
Answer: C
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Before the Period - Calculating The Predetermined Overhead Allocation Rate

17) Divit has been given the task of calculating the predetermined overhead rate for Eden Enterprises. In order to calculate the rate, Divit must know _____.
A) the estimated overhead costs for the period and the actual quantity of the overhead allocation base
B) the estimated overhead costs for the period and the estimated quantity of the overhead allocation base
C) the actual overhead costs for the period and the actual quantity of the overhead allocation base
D) the actual overhead costs for the period and the estimated quantity of the overhead allocation base
Answer: B
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Reporting
PE Question Type: Concept
H2: Before the Period - Calculating The Predetermined Overhead Allocation Rate

18) In a machine-intensive production environment, the most accurate cost driver of manufacturing overhead costs is usually _____.
A) direct labor costs
B) direct labor hours
C) direct materials used
D) machine hours
Answer: D
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Before the Period - Calculating The Predetermined Overhead Allocation Rate

19) Which of the following describes the allocation base for allocating manufacturing overhead costs?
A) the primary cost driver of indirect manufacturing costs
B) the estimated base amount of manufacturing overhead costs in a year
C) the percentage used to allocate direct labor to Work-in-Process Inventory
D) the main element that causes direct costs
Answer: A
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Before the Period - Calculating The Predetermined Overhead Allocation Rate

20) Which of the following correctly describes the term cost driver?
A) the inflation rate that causes costs to rise
B) the average inventory costs incurred at any point of time
C) the primary factor that causes a cost to be incurred
D) the total material, labor, and overhead costs of a completed job
Answer: C
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Before the Period - Calculating The Predetermined Overhead Allocation Rate

21) The predetermined overhead allocation rate is the rate used to _____.
A) assign direct material costs to jobs
B) allocate actual manufacturing overhead costs incurred during a period
C) allocate estimated manufacturing overhead costs to jobs
D) trace manufacturing and nonmanufacturing costs to jobs
Answer: C
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Before the Period - Calculating The Predetermined Overhead Allocation Rate

22) The predetermined overhead allocation rate is calculated by dividing _____.
A) the total estimated overhead costs by total number of days in a year
B) the estimated amount of cost driver by actual total overhead costs
C) the actual overhead costs by actual amount of the cost driver or allocation base
D) the estimated overhead costs by total estimated quantity of the overhead allocation base
Answer: D
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Before the Period - Calculating The Predetermined Overhead Allocation Rate

23) The predetermined overhead allocation rate for a given production year is calculated _____.
A) at the end of the production year
B) before the accounting period begins
C) after completion of each job
D) after the preparation of financial statements for the year
Answer: B
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Before the Period - Calculating The Predetermined Overhead Allocation Rate

24) Aaron, Inc. estimates direct labor costs and manufacturing overhead costs for the coming year to be $760,000 and $500,000, respectively. Aaron allocates overhead costs based on machine hours. The estimated total labor hours and machine hours for the coming year are 18,000 hours and 9,000 hours, respectively. What is the predetermined overhead allocation rate? (Round your answer to the nearest cent.)
A) $84.44 per machine hour
B) $27.78 per labor hour
C) $1.52 per labor hour
D) $55.56 per machine hour
Answer: D
Explanation: Predetermined overhead allocation rate = Total estimated overhead costs / Total estimated quantity of the overhead allocation base
Predetermined overhead allocation rate = $500,000 / 9,000 machine hours = $55.56 per machine hour
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Before the Period - Calculating The Predetermined Overhead Allocation Rate

25) Zephyros Corporation had estimated manufacturing overhead costs for the coming year to be $306,000. The total estimated direct labor hours and machine hours for the coming year are 9,000 and 10,000, respectively. Manufacturing overhead costs are allocated based on direct labor hours. What is the predetermined overhead allocation rate? (Round your answer to the nearest cent.)
A) $30.60 per machine hour
B) $16.11 per direct labor hour
C) $34.00 per direct labor hour
D) $1.11 per machine hour
Answer: C
Explanation: Predetermined overhead allocation rate = Total estimated overhead costs / Total estimated quantity of the overhead allocation base
Predetermined overhead allocation rate = $306,000 / 9,000 labor hours = $34.00 per labor hour
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Before the Period - Calculating The Predetermined Overhead Allocation Rate

26) Arabica Manufacturing uses a predetermined overhead allocation rate based on the number of machine hours. At the beginning of the year, it estimated total manufacturing overhead costs to be $1,000,000, total number of direct labor hours to be 4,500, and total number of machine hours to be 26,000 hours. What was the predetermined overhead allocation rate? (Round your answer to the nearest cent.)
A) $222.22 per machine hour
B) $32.79 per direct labor hour
C) $38.46 per machine hour
D) $46.51 per direct labor hour
Answer: C
Explanation:

Estimated manufacturing overhead costs for the year (A)	$1,000,000
Estimated total number of machine hours (B)	26,000
Predetermined overhead allocation rate per machine hour (A / B)	$38.46

Diff: 2
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Before the Period - Calculating The Predetermined Overhead Allocation Rate

27) The Equinox Fabrication Plant suffered a fire incident in August, and most of the records for the year were destroyed. The following accounting data for the year were recovered:

Total manufacturing overhead estimated at the beginning of the year	$101,560
Total direct labor costs estimated at the beginning of the year	$185,000
Total direct labor hours estimated at the beginning of the year	3,200 direct labor hours
Actual manufacturing overhead costs for the year	$98,800
Actual direct labor costs for the year	$140,000
Actual direct labor hours for the year	2,800 direct labor hours

The company bases its manufacturing overhead allocation on the number of direct labor hours. What was the predetermined overhead allocation rate for the year? (Round your answer to the nearest cent.)
A) $36.27
B) $1.87
C) $31.74
D) $66.07
Answer: C
Explanation:

Estimated manufacturing overhead	$101,560
Estimated direct labor hours	3,200 hours
Predetermined overhead allocation rate (per direct labor hour)*	$31.74

*($101,560 / 3,200 direct labor hours)

Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Before the Period - Calculating The Predetermined Overhead Allocation Rate

28) Archangel Manufacturing calculated a predetermined overhead allocation rate at the beginning of the year based on direct labor costs. The production details for the year are given below:

Total manufacturing overhead costs estimated at the beginning of the year	$140,000
Total direct labor costs estimated at the beginning of the year	$320,000
Total direct labor hours estimated at the beginning of the year	11,000 direct labor hours
Actual manufacturing overhead costs for the year	$160,000
Actual direct labor costs for the year	$370,000
Actual direct labor hours for the year	10,000 direct labor hours

Calculate the manufacturing overhead allocation rate for the year based on the above data. (Round your final answer to two decimal places.)
A) 43.75%
B) 264.29%
C) 11.43%
D) 28.00%
Answer: A
Explanation:

Total manufacturing overhead estimated at the beginning of the year	$140,000
Total direct labor costs estimated at the beginning of the year	/ 320,000
Predetermined overhead allocation rate	43.75%

Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Before the Period - Calculating The Predetermined Overhead Allocation Rate

29) Manufacturing overhead costs are allocated to the Work-in-Process Inventory account by a debit to the Manufacturing Overhead account.
Answer: FALSE
Explanation: Manufacturing overhead costs are allocated to the Work-in-Process Inventory account by a debit to the Work-in-Process Inventory account and a credit to the Manufacturing Overhead account
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: During the Period - Allocating Overhead

30) Manufacturing overhead is allocated by debiting the Finished Goods Inventory account.
Answer: FALSE
Explanation: Manufacturing overhead is allocated by debiting the Work-in-Process Inventory account.
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: During the Period - Allocating Overhead

31) Manufacturing overhead is allocated by debiting the Work-in-Process Inventory account and crediting the Manufacturing Overhead account.
Answer: TRUE
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: During the Period - Allocating Overhead

32) Sybil, Inc. uses a predetermined overhead allocation rate to allocate manufacturing overhead costs to jobs. The company recently completed Job 300X. This job used 14 machine hours and 2 direct labor hours. The predetermined overhead allocation rate is calculated to be $40 per machine hour. What is the amount of manufacturing overhead allocated to Job 300X using machine hours as the allocation base?
A) $560
B) $80
C) $640
D) $480
Answer: A
Explanation: Allocated manufacturing overhead cost = Predetermined overhead allocation rate × Actual quantity of the allocation base used by each job
Allocated manufacturing overhead cost = $40 × 14 machine hours = $560.
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

33) Jeremy Corporation estimated manufacturing overhead costs for the year to be $450,000. Jeremy also estimated 7,000 machine hours and 1,000 direct labor hours for the year. It bases the predetermined overhead allocation rate on machine hours. On January 31, Job 25 was completed. It required 4 machine hours and 6 direct labor hours. What is the amount of manufacturing overhead allocated to the completed job? (Round intermediate calculations to the nearest cent and your final answer to the nearest dollar.)
A) $64
B) $643
C) $257
D) $1,800
Answer: C
Explanation: Predetermined overhead allocation rate = Total estimated overhead costs / Total estimated quantity of the overhead allocation base
Predetermined overhead allocation rate = $450,000 / 7,000 machine hours = $64.29 per machine hour
Allocated manufacturing overhead cost = Predetermined overhead allocation rate × Actual quantity of the allocation base used by each job
Allocated manufacturing overhead cost = $64.29 × 4 machine hours = $257
Diff: 2
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

34) The journal entry to record allocation of manufacturing overhead to a particular job includes a _____.
A) debit to the Finished Goods Inventory account and credit to the Manufacturing Overhead account
B) debit to the Work-in-Process Inventory account and credit to the Cash account
C) debit to the Manufacturing Overhead account and credit to the Finished Goods Inventory account
D) debit to the Work-in-Process Inventory account and credit to the Manufacturing Overhead account
Answer: D
Diff: 2
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

35) Iglesias, Inc. completed Job 12 on November 30. The details of Job 12 are given below:

Direct labor cost	$800
Direct materials cost	$1,300
Machine hours	9 hours
Direct labor hours	20 hours
Predetermined overhead allocation rate	$90 per machine hour

What is the total cost of Job 12?
A) $2,910
B) $2,100
C) $1,610
D) $2,110
Answer: A
Explanation:

Direct labor cost	$800
Direct materials cost	1,300
Manufacturing overhead ($90 × 9 machine hours)	810
Total cost of Job 12	$2,910

Diff: 2
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

36) Gardner Machine Shop estimates manufacturing overhead costs for the coming year at $303,000. The manufacturing overhead costs will be allocated based on direct labor hours. Gardner estimates 6,000 direct labor hours for the coming year. In January, Gardner completed Job A33, which used 70 machine hours and 23 direct labor hours. What was the amount of manufacturing overhead allocated to Job A33? (Round any intermediate calculations to the nearest cent, and your final answer to the nearest dollar.)
A) $1,162
B) $3,535
C) $4,697
D) $4,329
Answer: A
Explanation:

Estimated manufacturing overhead costs for the year	$303,000
Divided by: Estimated direct labor hours	/ 6,000 hours
Predetermined overhead allocation rate (per direct labor hour)	$50.50
Times: Direct labor hours used by Job A33	× 23 hours
Manufacturing overhead allocated to Job A33	$1,162

Diff: 2
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

37) Midtown, Inc. uses a predetermined overhead allocation rate of $65 per direct labor hour. In January, the company completed Job A23 which utilized 20 direct labor hours. Which of the following correctly describes the journal entry to allocate overhead to the job?
A) debit Finished Goods Inventory $1,300 and credit Manufacturing Overhead $1,300
B) debit Manufacturing Overhead $65 and credit Work-in-Process Inventory $65
C) debit Work-in-Process Inventory $1,300 and credit Manufacturing Overhead $1,300
D) debit Cost of Goods Sold $65 and credit Finished Goods Inventory $65
Answer: C
Explanation: Allocated manufacturing overhead cost = Predetermined overhead allocation rate × Actual quantity of the allocation base used by each job

Allocated manufacturing overhead cost = $65 per DLHr × 20 hours = $1,300
Diff: 2
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

38) Halcyon, Inc. completed Job 10B last month. The cost details of Job 10B are shown below.

Direct labor cost	$2,380
Direct materials cost	$81
Machine hours	4 hours
Direct labor hours	74 hours
Predetermined overhead allocation rate per direct labor hour	$34

Calculate the total job cost for Job 10B.
A) $2,597
B) $4,977
C) $2,461
D) $5,113
Answer: B
Explanation:

Direct labor cost	$2,380
Direct materials cost	81
Manufacturing overhead allocated ($34 × 74 direct labor hours)	2,516
Job cost of Job 10B	$4,977

Diff: 2
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

39) Haddows, Inc. completed Job GH6 last month. The cost details of GH6 are shown below.

Direct labor cost	$2,190
Direct materials cost	$87
Direct labor hours	4 hours
Predetermined overhead allocation rate per direct labor hour	$72
Number of units of finished product	31

Calculate the cost per unit of the finished product of Job GH6. (Round your answer to the nearest cent.)
A) $375.00
B) $12.10
C) $79.94
D) $82.74
Answer: D
Explanation:

Direct labor cost	$2,190
Direct materials cost	87
Manufacturing overhead (S72 × 4 direct labor hours)	288
Job cost of Job GH6 (A)	$2,565
Number of units of finished product (B)	31 units
Cost per unit of finished product of Job GH6 (A / B)	$82.74

Diff: 3
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

40) Jezebel, Inc. completed Job 12 and several other jobs in the last week. The cost details of Job 12 are shown below.

Direct labor cost	$750
Direct materials cost	$100
Machine hours	7 hours
Direct labor hours	20 hours
Predetermined overhead allocation rate per machine hour	$89
Number of units of finished product	22 units

What is the cost per unit of finished product produced under Job 12? (Round your answer to the nearest cent.)
A) $38.64
B) $66.95
C) $73.65
D) $119.55
Answer: B
Explanation:

Direct labor cost	$750
Direct materials cost	100
Manufacturing overhead (589 × 7 machine hours)	623
Job cost of Job 12 (A)	$1,473
Number of units of finished product (B)	22 units
Cost per unit of finished product of Job 12 (A / B)	$66.95

Diff: 3
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

41) Olympia Manufacturing uses a predetermined overhead allocation rate based on direct labor cost. At the beginning of the year, Olympia estimated total manufacturing overhead costs at $1,030,000 and total direct labor costs at $830,000. In June, Job 511 was completed. The details of Job 511 are shown below.

Direct materials cost	$24,500
Direct labor cost	$10,000
Direct labor hours	300 hours
Units of product produced	300 hours

What is the amount of manufacturing overhead costs allocated to Job 511? (Round any percentages to two decimal places and your final answer to the nearest dollar.)
A) $12,410
B) $30,405
C) $8,058
D) $19,743
Answer: A
Explanation:

Estimated manufacturing overhead costs for the year	$1,030,000
Estimated total direct labor costs	$830,000
Predetermined overhead allocation rate as a percentage of direct labor cost ($1,030,000/$830,000)	($10,000 × 124.1% 124.1%

Calculation of manufacturing overhead costs allocated to Job 511:	
Direct labor cost	$10,000
Manufacturing overhead costs allocated to Job 511	$12,410

Diff: 2
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

42) Gill Manufacturing uses a predetermined overhead allocation rate based on direct labor cost. At the beginning of the year, Gill estimated total manufacturing overhead costs at $1,050,000 and total direct labor costs at $840,000. In June, Gill completed Job 511. The details of Job 511 are shown below.

Direct materials cost	$24,500
Direct labor cost	$13,000
Direct labor hours	400 hours
Units of product produced	300 units

How much was the total job cost of Job 511? (Round any percentages to two decimal places and your final answer to the nearest dollar.)
A) $38,000
B) $53,750
C) $68,125
D) $37,875
Answer: B
Explanation:

Estimated manufacturing overhead costs for the year	$1,050,000
Estimated total direct labor costs	$840,000
Predetermined overhead allocation rate as a percentage of direct labor cost ($1,050,000 / $840,000)	($13,000 × 125%) 125%

Calculation of total job cost of Job 511:

Direct materials cost	$24,500
Direct labor cost	13,000
Manufacturing overhead costs allocated to Job 511	16,250
Total job cost of Job 511	$53,750

Diff: 3
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

43) Irene Manufacturing uses a predetermined overhead allocation rate based on direct labor cost. At the beginning of the year, the company estimated total manufacturing overhead costs at $1,000,000 and total direct labor costs at $830,000. In June, Job 711 was completed. The details of Job 711 are shown below.

Direct materials cost	$24,500
Direct labor cost	$12,000
Direct labor hours	300 hours
Units of product produced	500 units

How much was the cost per unit of finished product? (Round any percentages to two decimal places and your final answer to the nearest cent.)
A) $73.00
B) $92.92
C) $77.92
D) $101.92
Answer: D
Explanation:

Estimated manufacturing overhead costs for the year	$1,000,000
Estimated total direct labor costs	830,000
Predetermined overhead allocation rate as a	($12,000 × 1.204,8
Percentage of direct labor cost ($1,000,000 / 830,000)	120.48%

Calculation of cost per unit:

Direct materials cost	$24,500
Direct labor cost	12,000
Manufacturing overhead costs allocated to Job 711	14,458
Total job cost of Job 711(A)	50,958
Number of units produced (B)	500
Cost per unit (A / B)	$101.92

Diff: 3
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

44) Venus Manufacturing uses a predetermined overhead allocation rate based on direct labor cost. At the beginning of the year, it estimated the manufacturing overhead rate to be 30% of the direct labor cost. In the month of June, Venus completed Job 13C and its details are as follows:

Direct materials cost	$6,880
Direct labor cost	$25,000
Direct labor hours	32 hours
Units of product produced	230

What is the total cost incurred for Job 13C?
A) $33,944
B) $32,500
C) $14,380
D) $39,380
Answer: D
Explanation:

Direct materials cost	$6,880
Direct labor cost	25,000
Manufacturing overhead ($25,000 × 0.3)	7,500
Total cost of Job 13C	$39,380

Diff: 2
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

45) Jordan Manufacturing uses a predetermined overhead allocation rate based on direct labor cost. At the beginning of the year, it estimated the manufacturing overhead rate to be 30% of the direct labor cost. In the month of June, Jordan completed Job 13C, and its details are as follows:

Direct materials cost	$6,640
Direct labor cost	$23,000
Direct labor hours	30 hours
Units of product produced	250

What is the cost per unit of finished product of Job 13C? (Round your answer to the nearest cent.)
A) $146.16
B) $126.53
C) $118.60
D) $119.60
Answer: A
Explanation:

Direct materials cost	$6,640
Direct labor cost	23,000
Manufacturing overhead (23,000 × 30%)	6,900
Total cost of Job 13C	36,540
Cost per unit ($36,540 / 250 units)	$146.16

Diff: 2
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

46) Happy Clicks, Inc. uses a predetermined overhead allocation rate of $4.75 per machine hour. Actual overhead costs incurred during the year are as follows:

Indirect materials	$6,600
Indirect labor	$3,000
Plant depreciation	$43
Plant utilities and insurance	$8,100
Other plant overhead costs	$11,100
Total machine hours used during year	7,900 hours

What is the amount of manufacturing overhead cost allocated to Work-in-Process Inventory during the year?
A) $36,743
B) $9,600
C) $27,143
D) $37,525
Answer: D
Explanation:

Total machine hours used during the year	7,900 hours
Predetermined overhead allocation rate	$4.75
Allocated manufacturing overhead cost (7,900 hours × $4.75)	$37,525

Diff: 2
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

47) Doric Agricultural Corporation uses a predetermined overhead allocation rate based on the direct labor cost. The manufacturing overhead cost allocated during the year is $300,000. The details of production and costs incurred during the year are as follows:

Actual direct materials cost	$811,500
Actual direct labor cost	$180,000
Actual overhead costs incurred	$260,000
Total direct labor hours	5,500 hours

What is the predetermined overhead allocation rate applied by the corporation? (Round your answer to two decimal places.)
A) 86.67%
B) 69.23%
C) 166.67%
D) 36.97%
Answer: C
Explanation:

Actual direct labor cost	$180,000
Allocated manufacturing overhead cost	$300,000
Predetermined overhead allocation rate ($300,000 / 180,000)	= 166.67%

Diff: 2
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

48) The Quadrangle Fabrication Plant suffered a fire incident at the beginning of the year, which resulted in the loss of property including the accounting records. Some data for the year were retrieved, and extracts from it are shown below:

Total manufacturing overhead costs estimated at the beginning of the year	$102,940
Total direct labor costs estimated at the beginning of the year	$184,000
Total direct labor hours estimated at the beginning of the year	3,300 direct labor hours
Actual manufacturing overhead costs for the year	$98,770
Actual direct labor costs for the year	$150,000
Actual direct labor hours for the year	2,500 direct labor hours

The company's manufacturing overhead allocation is based on direct labor hours. How much manufacturing overhead was allocated to production during the year? (Round any intermediate calculations to two decimal places, and your final answer to the nearest dollar.)
A) $102,940
B) $77,975
C) $135,881
D) $184,000
Answer: B
Explanation:

Estimated manufacturing overhead	$102,940
Estimated direct labor hours	/ 3,300 hours
Predetermined overhead allocation rate (per direct labor hour)	$31.19
Actual direct labor hours for the year	× 2,500 hours
Manufacturing overhead allocated to production	$77,975

Diff: 2
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

49) The Carlin Fabrication Plant suffered a fire incident at the beginning of the year, which resulted in the loss of property including the accounting records. Some data for the year were retrieved, and extracts from it are shown below:

Total manufacturing overhead costs estimated at the beginning of the year	$102,500
Total direct labor costs estimated at the beginning of the year	$180,000
Total direct labor hours estimated at the beginning of the year	3,400 direct labor hours
Total machine hours estimated at the beginning of the year	9,600 machine hours
Actual manufacturing overhead costs for the year	$97,700
Actual direct labor costs for the year	$141,000
Actual direct labor hours for the year	2,800 direct labor hours
Actual machine hours for the year	10,400 machine hours

The company's manufacturing overhead allocation is based on the number of machine hours. What is the amount of manufacturing overhead cost allocated to Work-in-Process Inventory during the year? (Round any intermediate calculations to two decimal places, and your final answer to the nearest dollar.)
A) $29,895
B) $313,529
C) $111,072
D) $195,000
Answer: C
Explanation:

Estimated manufacturing overhead	$102,500
Estimated machine hours	/ 9,600
Predetermined overhead allocation rate (per machine hour)	$10.68
Actual machine hours for the year	× 10,400
Manufacturing overhead allocated to production	$111,072

Diff: 3
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

50) Clinton Manufacturing uses a predetermined overhead allocation rate based on direct labor costs. The following are the details of production during the year:

Total manufacturing overhead costs estimated at the beginning of the year	$140,000
Total direct labor costs estimated at the beginning of the year	$320,000
Total direct labor hours estimated at the beginning of the year	12,000 direct labor hours
Actual manufacturing overhead costs for the year	$160,000
Actual direct labor costs for the year	$360,000
Actual direct labor hours for the year	10,800 direct labor hours

Calculate the amount of manufacturing overhead costs allocated to production. (Round any percentages to two decimal places and your final answer to the nearest dollar.)
A) $140,000
B) $180,000
C) $157,500
D) $160,000
Answer: C
Explanation:

Total manufacturing overhead estimated at the beginning of the year	$140,000
Total direct labor costs estimated at the beginning of the year	/ $320,000
Predetermined overhead allocation rate ($140,000 / $320,000)	43.75%
Actual direct labor costs for the year	× $360,000
Manufacturing overhead costs allocated to production	$157,500

Diff: 2
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

51) Q-dot Manufacturing uses a predetermined overhead allocation rate based on direct labor hours. It has provided the following information for the year:

Manufacturing overhead costs allocated to production	$189,000
Actual direct materials cost	$540,000
Actual direct labor cost	$2,480,000
Actual direct labor hours	9,490 direct labor hours
Estimated machine hours	180,000 machine hours

Based on the above information, calculate Q-dot's predetermined overhead allocation rate. (Round your answer to two decimal places.)
A) $1.05 per machine hour
B) 7.62% of direct labor cost
C) 35.00% of direct materials cost
D) $19.92 per direct labor hour
Answer: D
Explanation:

Manufacturing overhead costs allocated to production	$189,000
Actual direct labor hours	/ 9,490 hours
Predetermined overhead allocation rate per direct labor hour	$19.92

Diff: 2
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

52) Felton Quality Productions uses a predetermined overhead allocation rate based on machine hours. It has provided the following information for the year:

Actual manufacturing overhead costs incurred	$100,000
Manufacturing overhead costs allocated to production	$48,000
Actual direct materials cost	$230,000
Actual direct labor cost	$50,000
Actual machine hours	32,000 hours

Based on the above information, calculate the predetermined overhead allocation rate applied by Felton Quality. (Round your answer to the nearest cent.)
A) $1.50 per machine hour
B) $3.13 per machine hour
C) $7.19 per machine hour
D) $1.56 per machine hour
Answer: A
Explanation:

Manufacturing overhead costs allocated to production (A)	$48,000
Actual machine hours (B)	32,000
Predetermined overhead allocation rate (A) / (B)	$1.50

Diff: 2
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

53) Davie, Inc. used estimated direct labor hours of 245,000 and estimated manufacturing overhead costs of $1,200,000 in establishing its predetermined overhead allocation rate for the year. Actual results showed the following:

Actual manufacturing overhead	$800,000
Allocated manufacturing overhead	$825,000

What was the number of direct labor hours worked during the year? (Round any intermediate calculations to two decimal places, and your final answer to the nearest whole number.)
A) 163,333 hours
B) 252,656 hours
C) 244,898 hours
D) 168,367 hours
Answer: D
Explanation:

Estimated manufacturing overhead costs	$1,200,000
Estimated direct labor hours	/ 245,000
Predetermined overhead allocation rate per labor hour (A)	$4.90
Allocated manufacturing overhead (B)	$825,000
Number of direct labor hours worked (B / A)	168,367

Diff: 3
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

54) Forsyth, Inc. uses estimated direct labor hours of 250,000 and estimated manufacturing overhead costs of $1,100,000 in establishing its predetermined overhead allocation rate for the year. Actual results showed the following:

Actual manufacturing overhead	$700,000
Allocated manufacturing overhead	$900,000

The number of direct labor hours worked during the period was _____. (Round any intermediate calculations to two decimal places, and your final answer to the nearest whole number.)
A) 250,000 hours
B) 204,545 hours
C) 159,091 hours
D) 194,444 hours
Answer: B
Explanation:

Estimated manufacturing overhead costs	$1,100,000
Estimated direct labor hours	/ 250,000
Predetermined overhead allocation rate per direct labor hour (A)	$4.40
Allocated manufacturing overhead (B)	$900,000
Number of direct labor hours worked (B / A)	204,545

Diff: 2
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

55) The records at Smith and Jones, Inc. show that Job 110 is charged with $10,000 of direct materials and $12,000 of direct labor. Smith and Jones, Inc. allocates manufacturing overhead at 85% of direct labor cost. What is the total cost of Job 110?
A) $30,500
B) $32,200
C) $22,000
D) $12,000
Answer: B
Explanation:

Direct labor cost incurred	$12,000
Predetermined overhead allocation rate on direct labor cost	85%
Allocated manufacturing overhead ($12,000 × 85%)	10,200

Direct material cost	$10,000
Direct labor cost	12,000
Allocated manufacturing overhead	10,200
Cost of Job No. 110	$32,200

Diff: 2
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

56) Smith, Inc. uses a predetermined overhead allocation rate of $200 per direct labor hour. In January, Smith completed Job 22, which utilized 25 direct labor hours. The journal entry to allocate overhead to the job would be:

A)

Work-in-Process Inventory	5,000	
Manufacturing Overhead		5,000

B)

Manufacturing Overhead	5,000	
Work-in-Process Inventory		5,000

C)

Work-in-Process Inventory	200	
Manufacturing Overhead		200

D)

Manufacturing Overhead	200	
Work-in-Process Inventory		200

Answer: A
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

57) Smith, Inc. uses a predetermined overhead allocation rate of 30% of direct labor costs. In January, Smith completed Job 22, which had direct labor costs of $1,700 and Job 33 which had direct labor costs of $2,000. Allocated manufacturing overhead costs for both jobs would be:
A) $30
B) $510
C) $90
D) $1,110
Answer: D
Explanation: ($1,700 + $2,000) × 30% = $1,110
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

58) Smith, Inc. uses a predetermined overhead allocation rate of 30% of direct labor costs. In January, Smith completed Job 22, which had direct labor costs of $1,800 and Job 33 which had direct labor costs of $3,600. The journal entry for allocated manufacturing overhead costs for both jobs would be:

A)

Work-in-Process Inventory	1,080	
Manufacturing Overhead		1,080

B)

Manufacturing Overhead	1,080	
Work-in-Process Inventory		1,080

C)

Work-in-Process Inventory	1,620	
Manufacturing Overhead		1,620

D)

Manufacturing Overhead	1,620	
Work-in-Process Inventory		1,620

Answer: C
Explanation: ($1,800 + $3,600) × 30% = $1,620 for Manufacturing Overhead applied
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

59) Haverhill Products completed Job 440 and several other jobs during the year. In addition to direct labor and direct materials cost, Haverhill allocated $450 of manufacturing overhead to the job. Provide the journal entry for the allocation of manufacturing overhead. Omit explanation.
Answer:

Work-in-Process Inventory	450	
Manufacturing Overhead		450

Diff: 2
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

60) Melinda, Inc. estimates manufacturing overhead costs for the coming year at $225,000, which will be allocated based on direct labor hours. Melinda estimates 9,000 direct labor hours for the coming year. In January, Job A33 was completed, which required 8 direct labor hours and 34 machine hours. Provide the journal entry to allocate manufacturing overhead to the job. Omit explanation.
Answer:

Work-in-Process Inventory	200	
Manufacturing Overhead		200

Estimated manufacturing overhead costs	$225,000
Estimated direct labor hours	9,000 hours
Predetermined overhead allocation rate ($225,000 / 9,000 hours)	$25
Number of direct labor hours worked on Job A33	8 hours
Allocated manufacturing overhead ($25 × 8 hours)	$200

Diff: 2
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

61) Metropolitan Enterprises reports the following information at December 31:

Manufacturing Overhead	
$4,300	$45,500
21,000	
18,500	

Requirements
1. What is the actual manufacturing overhead of Metropolitan Enterprises?
2. What is the allocated manufacturing overhead?
3. Is manufacturing overhead underallocated or overallocated? By how much?
Answer:
1. Actual manufacturing overhead costs are debited to the Manufacturing Overhead account.
   Actual manufacturing overhead = $4,300 + 21,000 +18,500
   Actual manufacturing overhead = $43,800

2. Allocated manufacturing overhead costs are credited to the Manufacturing Overhead account.
   Allocated manufacturing overhead = $45,500

3. Allocated manufacturing overhead costs of $45,500 are greater than actual manufacturing overhead costs of $43,800. Thus manufacturing overhead is overallocated by $1,700.

Diff: 2
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

62) Ivade, Inc. uses a predetermined overhead allocation rate of $75 per direct labor hour. In January, Ivade completed Job B23, which utilized 20 direct labor hours. Provide the journal entry to allocate overhead to the job. Omit explanation.
Answer:

Work-in-Process Inventory	1,500	
Manufacturing Overhead		1,500

Explanation:
$75 per DLHr × 20 DLHrs = $1,500
Diff: 1
LO: M:2-3
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: During the Period - Allocating Overhead

Learning Objective M:2-4

1) The cost of goods manufactured is recorded with a debit to the Work-in-Process Inventory account and a credit to the Cost of Goods Manufactured account.
Answer: FALSE
Explanation: The cost of goods manufactured is recorded with a credit to Work-in-Process and a debit to Finished Goods.
Diff: 1
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Transferring Costs To Finished Goods Inventory

2) The cost of goods manufactured is recorded with a debit to the Finished Goods Inventory account and a credit to the Work-in-Process Inventory account.
Answer: TRUE
Diff: 1
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Transferring Costs To Finished Goods Inventory

3) When a job is completed, the total cost of the job is recorded with a debit to Finished Goods Inventory and a credit to Work-in-Process Inventory.
Answer: TRUE
Diff: 1
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: Transferring Costs To Finished Goods Inventory

4) On January 1, Biden, Inc.'s Work-in-Process Inventory account had a balance of $30,900. During the year, $58,500 of direct materials were placed into production. Manufacturing wages incurred amounted to $85,000, of which $65,500 were for direct labor. Manufacturing overhead is allocated on the basis of 120% of direct labor cost. Actual manufacturing overhead was $91,300. Jobs costing $220,900 were completed during the year. What is the December 31 balance of Work-in-Process Inventory?
A) $154,900
B) $30,900
C) $233,500
D) $12,600
Answer: D
Explanation:

Beginning balance in Work-in-Process Inventory	$30,900
Add:	
Direct materials	58,500
Direct labor	65,500
Manufacturing overhead (120% × $65,500)	78,600
Less: Transfer to Finished Goods Inventory	(220,900)
Ending balance in Work-in-Process Inventory	$12,600

Diff: 2
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs To Finished Goods Inventory

5) On January 1, Jackson, Inc.'s Work-in-Process Inventory account showed a balance of $65,900. During the year, materials requisitioned for use in production amounted to $70,500, of which $66,900 represented direct materials. Factory wages for the period were $208,000 of which $186,800 were for direct labor. Manufacturing overhead is allocated on the basis of 60% of direct labor cost. Actual overhead was $116,000. Jobs costing $353,010 were completed during the year. The December 31 balance in Work-in-Process Inventory is _____.
A) $65,900
B) $319,600
C) $431,680
D) $78,670
Answer: D
Explanation:

Beginning balance in Work-in-Process Inventory	$65,900
Add:	
Direct materials	66,900
Direct labor	186,800
Manufacturing overhead (60% of $186,800)	112,080
Less: Transfer to Finished Goods Inventory	(353,010)
Ending balance in Work-in-Process Inventory	$78,670

Diff: 2
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs To Finished Goods Inventory

6) Caltran, Inc. completed manufacturing Job 445. It included $320 of direct materials cost, $1,210 of direct labor cost, and $560 of allocated manufacturing overhead. Which of the following is the correct journal entry needed to record the completed job?

A)

Work-in-Process Inventory	2,090	
Finished Goods Inventory		2,090

B)

Finished Goods Inventory	2,090	
Materials Inventory		2,090

C)

Work-in-Process Inventory	1,530	
Cost of Goods Sold		1,530

D)

Finished Goods Inventory	2,090	
Work-in-Process Inventory		2,090

Answer: D
Explanation:
Cost of Job 445:

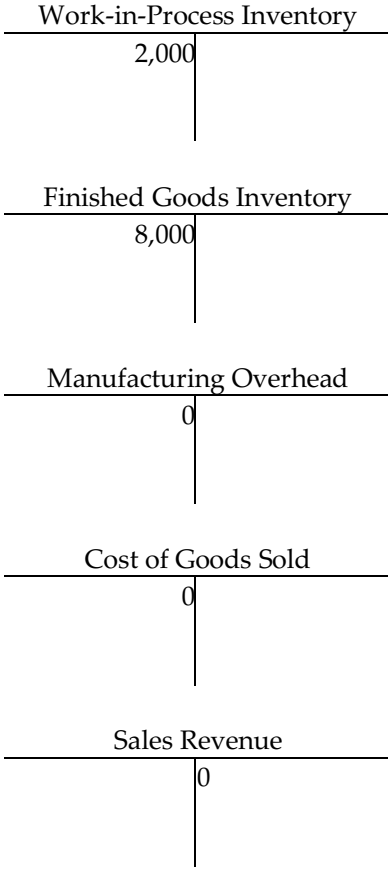
Direct materials	$320
Direct labor	1,210
Manufacturing overhead allocated	560
Job cost for Job 445	$2,090

Journal entry:

Finished Goods Inventory	2,090	
Work-in-Process Inventory		2,090

Diff: 2
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs To Finished Goods Inventory

7) At the beginning of the year, Conway Manufacturing had the following account balances:



The following additional details are provided for the year:

Direct materials placed in production	$82,200
Direct labor incurred	191,600
Manufacturing overhead incurred	301,300
Manufacturing overhead allocated to production	296,800
Cost of jobs completed and transferred	501,900

The ending balance in the Work-in-Process Inventory account is a _____.
A) credit of $70,700
B) debit of $2,000
C) credit of $2,000
D) debit of $70,700

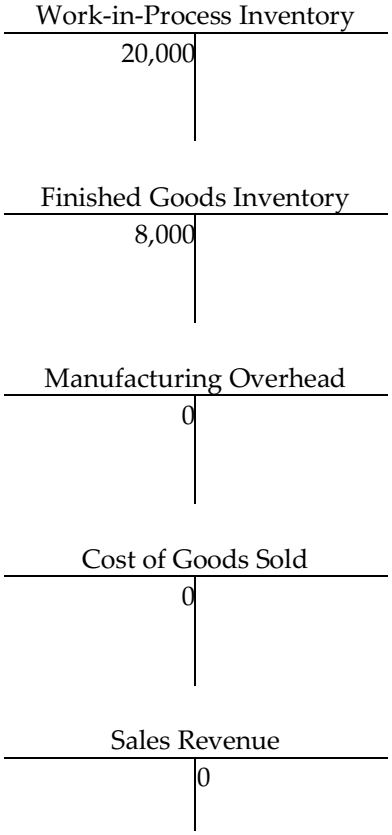
Answer: D

Explanation:

Beginning balance in Work-in-Process Inventory	$2,000	Debit
Add:		
Direct materials used	82,200	Debit
Direct labor	191,600	Debit
Manufacturing overhead allocated to production	296,800	Debit
Less: Transfer to Finished Goods Inventory	(501,900)	Credit
Ending balance in Work-in-Process Inventory	$70,700	Debit

Diff: 2
LO: M:2-4
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Transferring Costs To Finished Goods Inventory

8) At the beginning of the year, Judge Manufacturing had the following account balances:



The following additional details are provided for the year:

Direct materials placed in production	$83,800
Direct labor incurred	190,800
Manufacturing overhead incurred	300,300
Manufacturing overhead allocated to production	297,600
Cost of jobs completed and transferred to finished goods	500,900
Cost of Goods Sold	500,000

The ending balance in the Finished Goods Inventory account is a _____.
A) debit of $8,900
B) debit of $500,900
C) debit of $8,000
D) credit of $500,900

Answer: A
Explanation:

Beginning balance in Finished Goods Inventory	$8,000
Add: Transfer in to finished goods	500,900
Finished goods available	508,900
Less: Cost of Goods Sold	500,000
Ending balance in Finished Goods Inventory (debit Balance)	$8,900

Diff: 2
LO: M:2-4
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Transferring Costs To Finished Goods Inventory

9) When goods are transferred from the Work-in-Process Inventory account to the Finished Goods Inventory account, _____.
A) total assets and total liabilities increase by the same amount
B) total assets of the company remain constant
C) total equity and total assets increase by the same amount
D) total liabilities increase and total equity decreases by the same amount
Answer: B
Diff: 2
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs To Finished Goods Inventory

10) Jupiter Manufacturing began business on January 1. During its first year of operation, Jupiter worked on five industrial jobs and reported the following information at year-end:

	Job 1	Job 2	Job 3	Job 4	Job 5
Direct Materials	$1,000	$7,500	$4,000	$3,500	$1,800
Direct Labor	12,000	20,000	13,000	12,000	900
Allocated Mfg. Overhead	1,500	6,000	2,500	7,500	200
Job completed:	Jun 30	Sep 1	Oct 15	Nov 1	Not completed
Job sold:	Jul 10	Sep 12	Not sold	Not sold	N/A
Revenues:	$25,000	$39,000	N/A	N/A	N/A

What was the balance in Work-in-Process Inventory at year-end?
A) $2,900
B) $2,700
C) $2,000
D) $1,100
Answer: A
Explanation: Job 5 is the only job on which work is in process at the end of the year.

Ending balance in Work-in-Process Inventory (Job 5):	
Direct Materials	$1,800
Direct Labor	900
Allocated Mfg. Overhead	200
Ending balance in Work-in-Process Inventory (Job 5)	$2,900

Diff: 2
LO: M:2-4
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Transferring Costs To Finished Goods Inventory

11) Altima, Inc. finished Job A40 on the last working day of the year. It utilized $360 of direct materials and $3,240 of direct labor. Altima uses a predetermined overhead allocation rate based on direct labor costs, which has been fixed at 40%. The entry to record the completion of the job should involve a _____.

A) debit to Finished Goods Inventory $4,896 and a credit to Materials Inventory $4,896
B) debit to Cost of Goods Sold $4,896 and a credit to Finished Goods Inventory $4,896
C) debit to Finished Goods Inventory $4,896 and a credit to Work-in-Process Inventory $4,896
D) debit to Work-in-Process Inventory $4,896 and a credit to Finished Goods Inventory $4,896

Answer: C

Explanation:

Cost of Job A40:

Direct materials utilized	$360
Direct labor	3,240
Manufacturing overhead allocated ($3,240 × 40%)	1,296
Job cost for Job A40	$4,896

Journal entry:

Finished Goods Inventory	4,896	
Work-in-Process Inventory		4,896

Diff: 2
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs To Finished Goods Inventory

12) Shawna, Inc. completed manufacturing Job 44. It included $3,500 of direct materials cost, $1,700 of direct labor cost, and $600 of allocated manufacturing overhead. Which of the following is the correct journal entry needed to record the completed job?

A)

Work-in-Process Inventory	5,800	
Finished Goods Inventory		5,800

B)

Finished Goods Inventory	5,800	
Cost of Goods sold		5,800

C)

Work-in-Process Inventory	5,200	
Cost of Goods Sold		5,200

D)

Finished Goods Inventory	5,800	
Work-in-Process Inventory		5,800

Answer: D
Explanation:
Cost of Job 44:

Direct materials	$3,500
Direct labor	1,700
Manufacturing overhead allocated	600
Job cost for Job 44	$5,800

Journal entry:

Finished Goods Inventory	5,800	
Work-in-Process Inventory		5,800

Diff: 2
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs To Finished Goods Inventory

13) Brandon, Inc. completed manufacturing Job 11. It included $5,300 of direct materials cost, $1,300 of direct labor cost, and $900 of allocated manufacturing overhead. Which of the following is the correct journal entry needed to record the completed job?

A)

Work-in-Process Inventory	7,500	
Finished Goods Inventory		7,500

B)

Finished Goods Inventory	7,500	
Work-in-Process Inventory		7,500

C)

Work-in-Process Inventory	6,600	
Cost of Goods Sold		6,600

D)

Finished Goods Inventory	7,500	
Cost of Goods Sold		7,500

Answer: B
Explanation:
Cost of Job 11:

Direct materials	$5,300
Direct labor	1,300
Manufacturing overhead allocated	900
Job cost for Job 44	$7,500

Journal entry:

Finished Goods Inventory	7,500	
Work-in-Process Inventory		7,500

Diff: 2
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs To Finished Goods Inventory

14) Kalliste, Inc. completed Job C50. Job C50 required $3,000 of direct materials cost, $2,000 of direct labor cost, and $600 of allocated manufacturing overhead. Provide the journal entry needed to record completion and transfer of the job. Omit explanation.
Answer:

Finished Goods Inventory	5,600	
Work-in-Process Inventory		5,600

Diff: 1
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs To Finished Goods Inventory

15) Hosanna Furnishings finished Job A40, which involved $4,000 of direct materials and $600 of direct labor. Hosanna uses a predetermined overhead allocation rate based on 40% of direct labor costs. Provide the journal entry needed to record the completion of the job. Omit explanation.
Answer:

Finished Goods Inventory	4,840	
Work-in-Process Inventory		4,840

Explanation:

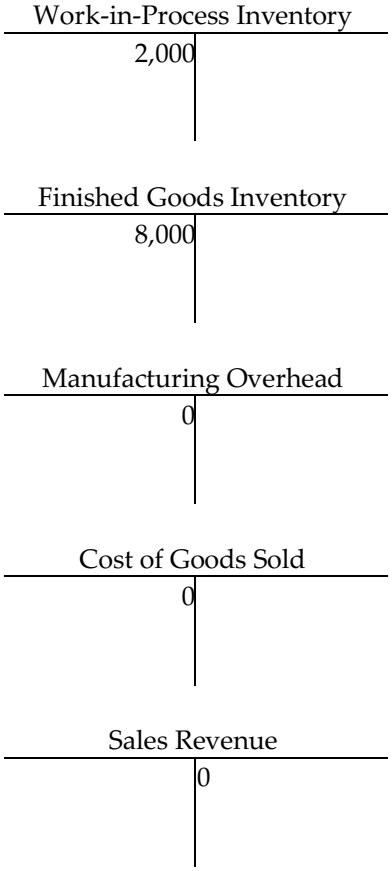
Direct labor costs	$600
Predetermined overhead allocation rate on direct labor cost	× 40%
Manufacturing overhead allocated	$240

Job cost of Job A40:

Direct materials	$4,000
Direct labor	600
Manufacturing overhead	240
Total cost of Job A40	$4,840

Diff: 2
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs To Finished Goods Inventory

16) At the beginning of the year, Barrington Manufacturing had the following account balances:



The following additional details are provided for the year:

Direct materials placed in production	$80,000
Direct labor incurred	190,000
Manufacturing overhead incurred	300,000
Manufacturing overhead allocated to production	295,000
Cost of jobs completed and transferred to finished goods	500,000
Cost of Goods Sold	$470,000

Record these transactions in the T-accounts and calculate the ending balances for Work-in-Process Inventory, Finished Goods Inventory, and Manufacturing Overhead accounts (unadjusted).

Answer:

Work-in-Process Inventory:		
Beginning balance	$2,000	
Add:		
Direct materials placed in production	80,000	
Direct labor incurred	190,000	
Manufacturing overhead allocated to production	295,000	
Less:		
Cost of jobs completed	(500,000)	
Ending balance in Work-in-Process Inventory	$67,000	

Finished Goods Inventory:	
Beginning balance	$8,000
Add: Finished goods transferred from Work-in-Process Inventory	500,000
Finished Goods Available	$508,000
Less: Cost of Goods Sold	470,000
Ending balance	$38,000

Manufacturing Overhead:		
Manufacturing overhead incurred	$300,000	
Less: Manufacturing overhead allocated to production	(295,000)	
Ending balance	$5,000	

Work-in-Process Inventory	
2,000	500,000
80,000	
190,000	
295,000	
67,000	

Finished Goods Inventory	
8,000	
500,000	470,000
38,000	

Manufacturing Overhead	
0	
300,000	295,000
5,000	

Diff: 3
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs To Finished Goods Inventory

17) When goods are transferred from the Finished Goods Inventory account to the Cost of Goods Sold account, the product costs move from the balance sheet to the income statement.
Answer: TRUE
Diff: 1
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs to Cost of Goods Sold

18) Cost of Goods Sold is an account that appears on the balance sheet.
Answer: FALSE
Explanation: Cost of Goods Sold is an account that appears on the income statement.
Diff: 1
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs to Cost of Goods Sold

19) When goods are transferred from the Finished Goods Inventory account to the Cost of Goods Sold account, Cost of Goods Sold is debited.
Answer: TRUE
Diff: 1
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs to Cost of Goods Sold

20) Cost of Goods Sold represents the units that are completed, but not yet sold.
Answer: FALSE
Explanation: Cost of Goods Sold represent the cost of product that was completed and sold.
Diff: 1
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs to Cost of Goods Sold

21) On June 30, Cleopatra, Inc. finished Job 80 with total job costs of $54,000 and transferred the costs to Finished Goods Inventory. On July 6, Cleopatra completed the sale of the goods to a customer for $62,000 on account. The journal entry to record the sales revenue would be:

A)

Accounts Receivable	62,000	
Sales Revenue		62,000

B)

Accounts Receivable	54,000	
Sales Revenue		54,000

C)

Sales Revenue	62,000	
Accounts Receivable		62,000

D)

Sales Revenue	54,000	
Accounts Receivable		54,000

Answer: A
Diff: 1
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs to Cost of Goods Sold

22) On April 30, Harris, Inc. finished Job 10 with total job costs of $15,000 and transferred the costs to Finished Goods Inventory. On May 6, Harris completed the sale of the goods to a customer for $27,000 on account. The journal entry to record the sales revenue would be:

A)

Accounts Receivable	15,000	
Sales Revenue		15,000

B)

Accounts Receivable	27,000	
Sales Revenue		27,000

C)

Sales Revenue	15,000	
Accounts Receivable		15,000

D)

Sales Revenue	27,000	
Accounts Receivable		27,000

Answer: B
Diff: 1
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs to Cost of Goods Sold

23) On April 30, Mason, Inc. finished Job 110 with total job costs of $122,000 and transferred the costs to Finished Goods Inventory. On May 6, Mason completed the sale of the goods to a customer for $126,000 on account. The journal entry to record the sales revenue would be:

A)

Accounts Receivable	126,000	
Sales Revenue		126,000

B)

Accounts Receivable	122,000	
Sales Revenue		122,000

C)

Finished Goods Inventory	126,000	
Cost of Goods Sold		126,000

D)

Cost of Goods Sold	122,000	
Finished Goods Inventory		122,000

Answer: A
Diff: 1
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs to Cost of Goods Sold

24) On April 30, Harris, Inc. finished Job 10 with total job costs of $12,000 and transferred the costs to Finished Goods Inventory. On May 6, Harris completed the sale of the goods to a customer for $29,000 on account. The journal entry to record the cost of goods sold would be:

A)

Accounts Receivable	12,000	
Sales Revenue		12,000

B)

Accounts Receivable	29,000	
Sales Revenue		29,000

C)

Cost of Goods Sold	12,000	
Finished Goods Inventory		12,000

D)

Cost of Goods Sold	29,000	
Finished Goods Inventory		29,000

Answer: C
Diff: 1
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs to Cost of Goods Sold

25) On April 30, Mason, Inc. finished Job 110 with total job costs of $120,000 and transferred the costs to Finished Goods Inventory. On May 6, Mason completed the sale of the goods to a customer for $131,000 on account. The journal entry to record the cost of goods sold would be:

A)

Accounts Receivable	131,000	
Sales Revenue		131,000

B)

Accounts Receivable	120,000	
Sales Revenue		120,000

C)

Cost of Goods Sold	131,000	
Finished Goods Inventory		131,000

D)

Cost of Goods Sold	120,000	
Finished Goods Inventory		120,000

Answer: D
Diff: 1
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs to Cost of Goods Sold

26) On May 30, Harris, Inc. finished Job 150 with total job costs of $20,000 and transferred the costs to Finished Goods Inventory. On July 6, Harris completed the sale of the goods to a customer for $38,000 on account. The journal entries to record the sales revenue and the cost of goods sold would be:

A)

Accounts Receivable	20,000	
Sales Revenue		20,000
Cost of Goods Sold	38,000	
Finished Goods Inventory		38,000

B)

Accounts Receivable	38,000	
Sales Revenue		38,000
Cost of Goods Sold	20,000	
Finished Goods Inventory		20,000

C)

Sales Revenue	20,000	
Accounts Receivable		20,000
Finished Goods Inventory	38,000	
Cost of Goods Sold		38,000

D)

Sales Revenue	38,000	
Accounts Receivable		38,000
Finished Goods Inventory	20,000	
Cost of Goods Sold		20,000

Answer: B
Diff: 1
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs to Cost of Goods Sold

27) On August 30, Mason, Inc. finished Job 56 with total job costs of $11,000 and transferred the costs to Finished Goods Inventory. On September 6, Mason completed the sale of the goods to a customer for $14,000 on account. The journal entries to record the sales revenue and the cost of goods sold would be:

A)

Accounts Receivable	14,000	
Sales Revenue		14,000
Cost of Goods Sold	11,000	
Finished Goods Inventory		11,000

B)

Accounts Receivable	11,000	
Sales Revenue		11,000
Cost of Goods Sold	14,000	
Finished Goods Inventory		14,000

C)

Sales Revenue	14,000	
Accounts Receivable		14,000
Finished Goods Inventory	11,000	
Cost of Goods Sold		11,000

D)

Sales Revenue	11,000	
Accounts Receivable		11,000
Finished Goods Inventory	14,000	
Cost of Goods Sold		14,000

Answer: A
Diff: 1
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs to Cost of Goods Sold

28) On September 30, James, Inc. finished Job 66 with total job costs of $124,000 and transferred the costs to Finished Goods Inventory. On October 7, James completed the sale of the goods to a customer for $154,000 on account. The journal entries to record the sales revenue and the cost of goods sold would be:

A)

Accounts Receivable	154,000	
Finished Goods Inventory		154,000
Cost of Goods Sold	124,000	
Sales Revenue		124,000

B)

Accounts Receivable	124,000	
Sales Revenue		124,000
Cost of Goods Sold	154,000	
Finished Goods Inventory		154,000

C)

Sales Revenue	124,000	
Accounts Receivable		124,000
Finished Goods Inventory	154,000	
Cost of Goods Sold		154,000

D)

Accounts Receivable	154,000	
Sales Revenue		154,000
Cost of Goods Sold	124,000	
Finished Goods Inventory		124,000

Answer: D
Diff: 1
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs to Cost of Goods Sold

29) On November 30, Washington, Inc. finished Job 76 with total job costs of $388,000 and transferred the costs to Finished Goods Inventory. On October 7, James completed the sale of the goods to a customer for $511,000 on account. The journal entries to record the sales revenue and the cost of goods sold would be:

A)

Accounts Receivable	511,000	
Finished Goods Inventory		511,000
Cost of Goods Sold	388,000	
Sales Revenue		388,000

B)

Accounts Receivable	511,000	
Sales Revenue		511,000
Cost of Goods Sold	388,000	
Finished Goods Inventory		388,000

C)

Sales Revenue	388,000	
Accounts Receivable		388,000
Finished Goods Inventory	511,000	
Cost of Goods Sold		511,000

D)

Accounts Receivable	388,000	
Sales Revenue		388,000
Cost of Goods Sold	511,000	
Finished Goods Inventory		511,000

Answer: B
Diff: 1
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs to Cost of Goods Sold

30) On June 30, Caroline, Inc. finished Job 750 with total job costs of $4,500 and transferred the costs to Finished Goods Inventory. On July 6, Caroline sold goods from Job 750 to a customer for $6,000 cash. Which of the following is the correct entry needed to record the revenue earned? Assume the perpetual inventory system is used.
A) debit Finished Goods Inventory $4,500 and credit Sales Revenue $4,500
B) debit Cash $6,000 and credit Sales Revenue $6,000
C) debit Sales Revenue $6,000 and credit Cash $6,000
D) debit Cost of Goods Sold $4,500 and credit Sales Revenue $4,500
Answer: B
Explanation: Journal entry:

Cash	6,000	
Sales Revenue		6,000

Diff: 1
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs to Cost of Goods Sold

31) On June 30, Coral, Inc. finished Job 750 with total job costs of $4,100, and transferred the costs to Finished Goods Inventory. On July 6, Coral sold goods to a customer for $5,800 cash. Which of the following is the correct journal entry to record the cost of goods sold? Assume the perpetual inventory system is used.
A) debit Finished Goods Inventory $4,100 and credit Cost of Goods Sold $4,100
B) debit Cost of Goods Sold $4,100 and credit Work-in-Process Inventory $4,100
C) debit Work-in-Process Inventory $4,100 and credit Cost of Goods Sold $4,100
D) debit Cost of Goods Sold $4,100 and credit Finished Goods Inventory $4,100
Answer: D
Explanation: Journal entry:

Cost of Goods Sold	4,100	
Finished Goods Inventory		4,100

Diff: 1
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs to Cost of Goods Sold

32) On January 1, Feldstein Manufacturing had a beginning balance in Work-in-Process Inventory of $83,300 and a beginning balance in Finished Goods Inventory of $23,900. During the year, Feldstein incurred manufacturing costs of $352,100.

During the year, the following transactions occurred:
Job A-12 was completed for a total cost of $120,700 and was sold for $125,700.
Job A-13 was completed for a total cost of $200,100 and was sold for $212,100.
Job A-15 was completed for a total cost $68,000 but was not sold as of year-end.

What was the balance in Finished Goods Inventory at the end of the year?
A) $412,700 debit balance
B) $91,900 credit balance
C) $91,900 debit balance
D) $388,800 debit balance
Answer: C
Explanation:

Beginning balance in Finished Goods Inventory		$23,900
Add: Transfer of completed jobs:		
Job A–12	$120,700	
Job A–13	200,100	
Job A–15	68,000	388,800
		412,700
Less: Goods sold		
Job A–12	(120,700)	
Job A–13	(200,100)	(320,800)
Ending balance in Finished Goods Inventory (debit)		$91,900

Diff: 1
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs to Cost of Goods Sold

33) Warren Manufacturing began business on January 1. During its first year of operation, Warren worked on five industrial jobs and reported the following information at year-end:

	Job 1	Job 2	Job 3	Job 4	Job 5
Direct Materials	$1,000	$7,500	$4,100	$3,300	$1,500
Direct Labor	12,000	20,000	13,600	12,000	800
Allocated Mfg. Overhead	1,500	6,000	2,500	7,000	200
Job completed:	Jun 30	Sep 1	Oct 15	Nov 1	Not completed
Job sold:	Jul 10	Sep 12	Not sold	Not sold	N/A
Revenues:	$25,000	$39,000	N/A	N/A	N/A

What was the balance in Finished Goods Inventory at year-end?
A) $33,000
B) $20,200
C) $42,500
D) $22,300
Answer: C
Explanation: Job 3 and Job 4 are the jobs that are completed and not sold at year end.

Ending balance in Finished Goods Inventory:		
Job 3:		
Direct Materials	$4,100	
Direct Labor	13,600	
Allocated Mfg. Overhead	2,500	$20,200
Job 4:		
Direct Materials	3,300	
Direct Labor	12,000	
Allocated Manufacturing Overhead	7,000	22,300
Ending Balance in Finished Goods Inventory		$42,500

Diff: 2
LO: M:2-4
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Transferring Costs to Cost of Goods Sold

34) In a job order costing system, a credit to Finished Goods Inventory will be accompanied by a debit to _____.
A) Cost of Goods Sold
B) Work-in-Process Inventory
C) Sales Revenue
D) Accounts Receivable
Answer: A
Diff: 2
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs to Cost of Goods Sold

35) Using a job order costing system, Jabari Company sold jobs on account with a selling price of $985,000 and a cost of $410,000. Assume the company uses the perpetual inventory system. The journal entries required to record this transaction are:

A)

Accounts Payable	985,000	
Finished Goods Inventory		985,000
Finished Goods Inventory	410,000	
Cost of Goods Sold		410,000

B)

Cost of Goods Sold	985,000	
Finished Goods Inventory		985,000
Finished Goods Inventory	410,000	
Accounts Payable		410,000

C)

Accounts Receivable	985,000	
Sales Revenue		985,000
Cost of Goods Sold	410,000	
Finished Goods Inventory		410,000

D)

Sales Revenue	985,000	
Accounts Receivable		985,000
Finished Goods Inventory	410,000	
Cost of Goods Sold		410,000

Answer: C
Diff: 2
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs to Cost of Goods Sold

36) On June 30, Cleopatra, Inc. finished Job 70 with total job costs of $40,000 and transferred the costs to Finished Goods Inventory. On July 6, Cleopatra completed the sale of the goods to a customer for $55,000 on account. Provide the journal entry to record the sales revenue. Omit explanation.
Answer:

Accounts Receivable	55,000	
Sales Revenue		55,000

Diff: 1
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs to Cost of Goods Sold

37) On June 30, Greenville Manufacturing finished Job 70 with total job costs of $40,000 and transferred the costs to Finished Goods Inventory. On July 6, Greenville completed the sale of the goods to a customer for $55,000 on account. Provide the entry to record the cost of goods sold. Omit explanation. Assume the perpetual inventory system is used.
Answer:

Cost of Goods Sold	40,000	
Finished Goods Inventory		40,000

Diff: 1
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs to Cost of Goods Sold

38) Oxford Manufacturing Company completed jobs that cost $48,000 to produce. In the same period, the company sold jobs for $102,000 that cost $53,000 to produce. Prepare the journal entries for the completion and sales of the jobs. All sales are on account. Omit explanation. Assume the perpetual inventory system is used.
Answer:

Finished Goods Inventory	48,000	
Work-in-Process Inventory		48,000
Accounts Receivable	102,000	
Sales Revenue		102,000
Cost of Goods Sold	53,000	
Finished Goods Inventory		53,000

Diff: 2
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs to Cost of Goods Sold

39) Leonard Manufacturing Systems uses job order costing and a perpetual inventory system. When recording the sale of a job, which account(s) is(are) debited?
Answer: Accounts Receivable or Cash and Cost of Goods Sold accounts are debited.
Diff: 1
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs to Cost of Goods Sold

40) Patrick Manufacturing Systems uses job order costing and a perpetual inventory system. When recording the sale of a job, which account(s) is(are) credited?
Answer: Sales Revenue and Finished Goods Inventory accounts are credited.
Diff: 2
LO: M:2-4
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Transferring Costs to Cost of Goods Sold

Learning Objective M:2-5

1) Manufacturing overhead costs allocated to a job amounted to $495,000. The actual manufacturing overhead costs incurred during the year were$600,000. Overhead costs have been underallocated.
Answer: TRUE
Diff: 1
LO: M:2-5
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

2) During the year, a company incurred $492,000 of manufacturing overhead costs and allocated $510,000 of manufacturing overhead costs. At year-end, the adjustment entry needed to adjust the Manufacturing Overhead account balance to zero will include a debit to Cost of Goods Sold.
Answer: FALSE
Explanation: These numbers show that overhead costs were overallocated during the period and so the adjustment would be to reduce Cost of Goods Sold with a credit.
Diff: 1
LO: M:2-5
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

3) During the year, a company incurred $530,000 of manufacturing overhead costs and allocated $483,000 of manufacturing overhead costs. At year-end, the adjustment entry needed to adjust the Manufacturing Overhead account balance to zero will include a debit to Cost of Goods Sold.
Answer: TRUE
Diff: 1
LO: M:2-5
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

4) Overallocated manufacturing overhead occurs when the manufacturing overhead allocated to Work-in-Process Inventory is less than the amount actually incurred.
Answer: FALSE
Explanation: Overallocated manufacturing overhead occurs when the manufacturing overhead allocated to Work-in-Process Inventory is more than the amount actually incurred
Diff: 2
LO: M:2-5
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

5) Overallocated manufacturing overhead is adjusted by debiting the Cost of Goods Sold account.
Answer: FALSE
Explanation: Overallocated manufacturing overhead is adjusted by crediting the Cost of Goods Sold account.
Diff: 2
LO: M:2-5
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

6) If the debit side of the Manufacturing Overhead account totals more than the credit side of the account, the manufacturing overhead is overallocated.
Answer: FALSE
Explanation: If the debit side of the Manufacturing Overhead account totals more than the credit side of the account, the manufacturing overhead is underallocated. The debit side represents amounts of actual overhead incurred while the credit side represents allocated overhead.
Diff: 1
LO: M:2-5
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

7) The journal entry for adjustment of overallocated manufacturing overhead includes a _____.
A) credit to Finished Goods Inventory
B) credit to Manufacturing Overhead
C) debit to Work-in-Process Inventory
D) credit to Cost of Goods Sold
Answer: D
Diff: 2
LO: M:2-5
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

8) The journal entry for adjustment of underallocated manufacturing overhead includes a _____.
A) credit to Finished Goods Inventory
B) credit to Manufacturing Overhead
C) debit to Work-in-Process Inventory
D) credit to Cost of Goods Sold
Answer: B
Diff: 2
LO: M:2-5
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

9) Underallocated overhead occurs when _____.
A) allocated overhead costs are less than actual overhead costs
B) actual overhead costs are less than allocated overhead costs
C) estimated overhead costs are greater than budgeted overhead costs
D) estimated overhead costs are greater than actual overhead costs
Answer: A
Diff: 2
LO: M:2-5
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

10) Neptune Fabrication Plant has provided you with the following information:

Total manufacturing overhead costs estimated at the beginning of the year	$258,000
Total direct labor costs estimated at the beginning of the year	$121,000
Total direct labor hours estimated at the beginning of the year	6,000 direct labor hours
Actual manufacturing overhead costs for the year	$245,000
Actual direct labor costs for the year	$131,000
Actual direct labor hours for the year	5,200 direct labor hours

The company bases its manufacturing overhead allocation on direct labor hours. What was the unadjusted ending balance in the Manufacturing Overhead account?
A) $34,322 credit balance
B) $34,322 debit balance
C) $21,400 credit balance
D) $21,400 debit balance
Answer: D
Explanation:

Estimated manufacturing overhead costs	$258,000
Divided by: Estimated total direct labor hours	6,000
Predetermined overhead allocation rate per direct labor hour	$43
Actual direct labor hours	5,200
Manufacturing overhead costs allocated ($43 × 5,200 hrs.) (A)	$223,600
Actual manufacturing overhead costs incurred (B)	245,000
Manufacturing overhead costs underallocated (A – B)	-$21,400
Unadjusted balance in Manufacturing Overhead account	$21,400(Dr.)

Diff: 3
LO: M:2-5
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

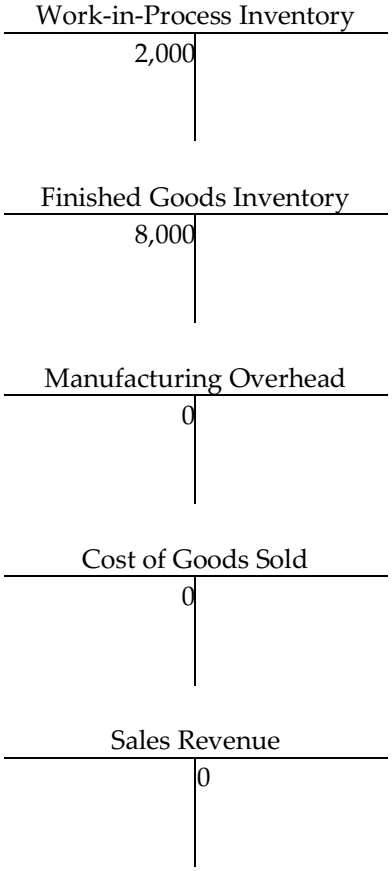
11) Lakeside, Inc. estimated manufacturing overhead costs for the year at $371,000, based on 183,000 estimated direct labor hours. Actual direct labor hours for the year totaled 194,000. The manufacturing overhead account contains debit entries totaling $392,000. The Manufacturing Overhead for the year was _____. (Round any intermediate calculations to two decimal places, and your final answer to the nearest dollar.)
A) $42,036 underallocated
B) $42,036 overallocated
C) $1,820 underallocated
D) $1,820 overallocated
Answer: D
Explanation:

Estimated Manufacturing overhead costs	$371,000
Estimated total direct labor hours	/ 183,000
Predetermined overhead allocation rate per direct labor hour	$2.03
Actual direct labor hours	194,000
Manufacturing overhead costs allocated ($2.03 x 194,000 hrs.)	$393,820
Less: Actual Manufacturing overhead costs incurred	$392,000
Manufacturing overhead costs overallocated	$1,820

Diff: 2
LO: M:2-5
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

12) At the end of the year, Beta, Inc. has an unadjusted debit balance in the Manufacturing Overhead account of $3,990. The adjusting journal entry needed to adjust the balance to zero will include a _____.
A) debit to Cost of Goods Sold $3,990 and credit to Manufacturing Overhead $3,990
B) debit to Manufacturing Overhead $3,990 and credit to Cost of Goods Sold $3,990
C) debit to Work-in-Process Inventory $3,990 and credit to Manufacturing Overhead $3,990
D) debit to Gross Profit $3,990 and credit to Cost of Goods Sold $3,990
Answer: A
Diff: 1
LO: M:2-5
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

13) At the beginning of the year, Tea Tree Manufacturing had the following account balances:



The following additional details are provided for the year:

Direct materials placed in production	$81,500
Direct labor incurred	192,000
Manufacturing overhead incurred	300,900
Manufacturing overhead allocated to production	296,400
Cost of jobs completed and transferred	500,600

The unadjusted balance in the Manufacturing Overhead account is a _____.
A) credit of $296,400
B) credit of $4,500
C) debit of $4,500
D) debit of $300,900

Answer: C
Explanation:

Manufacturing overhead incurred	$300,900
Less: Manufacturing overhead allocated to production	(296,400)
Balance in Manufacturing Overhead (debit)	$4,500

Diff: 2
LO: M:2-5
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

14) At the end of the year, Metro, Inc. has an unadjusted credit balance in the Manufacturing Overhead account of $820. Which of the following is the year-end adjusting entry needed to adjust the account?
A) A debit to Cost of Goods Sold of $820 and a credit to Finished Goods Inventory of $820
B) A debit to Manufacturing Overhead of $820 and a credit to Finished Goods Inventory of $820
C) A debit to Manufacturing Overhead of $820 and a credit to Cost of Goods Sold of $820
D) A debit to Cost of Goods Sold of $820 and a credit to Manufacturing Overhead of $820
Answer: C
Diff: 1
LO: M:2-5
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

15) _____ occurs when the actual manufacturing overhead costs are more than the allocated manufacturing overhead costs.
A) Applied overhead
B) Pre-determined overhead
C) Overallocated overhead
D) Underallocated overhead
Answer: D
Diff: 2
LO: M:2-5
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

16) _____ occurs when the actual manufacturing overhead costs are less than the allocated manufacturing overhead costs.
A) Applied overhead
B) Pre-determined overhead
C) Overallocated overhead
D) Underallocated overhead
Answer: C
Diff: 2
LO: M:2-5
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

17) The manufacturing overhead account rarely has an equal amount of total debits and total credits because companies allocate overhead to jobs using _____ that is based on estimates.
A) applied overhead allocation rate
B) a predetermined overhead allocation rate
C) overallocated overhead
D) underallocated overhead
Answer: B
Diff: 2
LO: M:2-5
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

18) Accountants adjust for underallocated and overallocated overhead at the end of the period when closing the _____.
A) Cost of Goods Sold account
B) Sales Revenue account
C) Expense accounts
D) Manufacturing Overhead account
Answer: D
Diff: 2
LO: M:2-5
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

19) Assume that actual overhead costs were $89,000 and overhead allocated to jobs was $68,000. The unadjusted balance in Manufacturing Overhead would be _____.
A) $157,000 debit
B) $157,000 credit
C) $21,000 debit
D) $21,000 credit
Answer: C
Diff: 2
LO: M:2-5
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

20) Assume that actual overhead costs were $88,000 and overhead allocated to jobs was $92,000. The unadjusted balance in Manufacturing Overhead would be _____.
A) $4,000 debit
B) $4,000 credit
C) $180,000 debit
D) $180,000 credit
Answer: B
Diff: 2
LO: M:2-5
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

21) Assume that actual overhead costs were $74,000 and overhead allocated to jobs was $54,000. The unadjusted balance in Manufacturing Overhead would be _____ because the overhead was _____.
A) $20,000 debit balance; overapplied
B) $20,000 credit balance; overapplied
C) $20,000 debit balance; underapplied
D) $20,000 credit balance; underapplied
Answer: C
Diff: 2
LO: M:2-5
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

22) Assume that actual overhead costs were $41,000 and overhead allocated to jobs was $48,000. The unadjusted balance in Manufacturing Overhead would be _____ because the overhead was _____.
A) $7,000 debit balance; overapplied
B) $7,000 credit balance; overapplied
C) $7,000 debit balance; underapplied
D) $7,000 credit balance; underapplied
Answer: B
Diff: 2
LO: M:2-5
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

23) At the end of the year, Delta, Inc. has an unadjusted debit balance in the Manufacturing Overhead account of $3,950. Provide the year-end adjusting entry needed to adjust the account. Omit explanation.
Answer:

Cost of Goods Sold	3,950	
Manufacturing Overhead		3,950

Diff: 1
LO: M:2-5
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

24) At the end of the year, Martin, Inc. has an unadjusted credit balance in the Manufacturing Overhead account of $95. Provide the year-end adjusting entry needed to adjust the account. Omit explanation.
Answer:

Manufacturing Overhead	95	
Cost of Goods Sold		95

Diff: 1
LO: M:2-5
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

25) What causes manufacturing overhead to be underallocated? When manufacturing overhead is underallocated, will the Manufacturing Overhead account have a debit or a credit balance?
Answer: Manufacturing overhead is underallocated when the manufacturing overhead allocated to Work-in-Process Inventory was less than the actual overhead cost. Manufacturing Overhead will have a debit balance.
Diff: 2
LO: M:2-5
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

26) What causes manufacturing overhead to be overallocated? When manufacturing overhead is overallocated, will the Manufacturing Overhead account have a debit or a credit balance?
Answer: Manufacturing overhead is overallocated when the actual manufacturing overhead costs are less than allocated manufacturing costs. Manufacturing Overhead will have a credit balance.
Diff: 2
LO: M:2-5
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: At the End of the Period - Adjusting for Overallocated and Underallocated Overhead

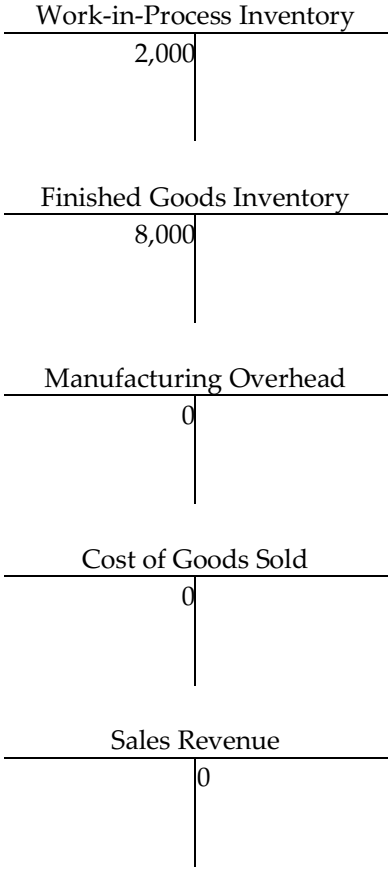
Learning Objective M:2-6

1) As costs flow through the job order costing system, when a product is finished, there is a credit to Finished Goods Inventory.
Answer: FALSE
Explanation: There is a debit to Finished Goods and a credit to Work-in-Process when a product is finished.
Diff: 1
LO: M:2-6
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Summary of Journal Entries

2) As costs flow through the job order costing system, when a product is sold, there is a debit to Cost of Goods Sold.
Answer: TRUE
Diff: 1
LO: M:2-6
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Summary of Journal Entries

3) To adjust for underallocated overhead, there is a debit to Cost of Goods Sold.
Answer: TRUE
Diff: 1
LO: M:2-6
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Summary of Journal Entries

4) At the beginning of the year, Green Street Manufacturing had the following account balances:



The following additional details are provided for the year:

Direct materials placed in production	$82,000
Direct labor incurred	191,000
Manufacturing overhead incurred	304,000
Manufacturing overhead allocated to production	294,000
Cost of jobs completed and transferred	500,000
Total revenue	757,000
Cost of goods sold	441,000

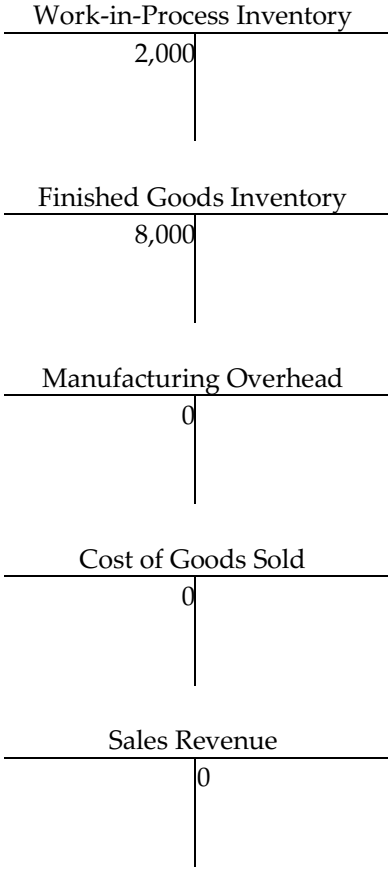
After adjusting the balance in Manufacturing Overhead, the ending balance in the Finished Goods Inventory account is a _____.
A) credit of $51,000
B) debit of $59,000
C) credit of $433,000
D) debit of $67,000

Answer: D
Explanation:

Beginning balance in Finished Goods Inventory	$8,000
Add: Transfer of completed goods	500,000
Less: Cost of jobs sold	(441,000)
Ending balance in Finished Goods Inventory (debit)	$67,000

Diff: 3
LO: M:2-6
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Summary of Journal Entries

5) At the beginning of the year, Springfield Manufacturing had the following account balances:



The following additional details are provided for the year:

Direct materials placed in production	$84,000
Direct labor incurred	191,000
Manufacturing overhead incurred	302,000
Manufacturing overhead allocated to production	292,000
Cost of jobs completed and transferred	502,000
Total revenue	753,000
Cost of goods sold (before adjustment)	441,700

After recording all these transactions and adjusting for the over/underallocated overhead, the ending balance in the Cost of Goods Sold account is a _____.
A) debit of $431,700
B) debit of $451,700
C) credit of $451,700
D) debit of $441,700

Answer: B
Explanation:

Cost of goods sold		$441,700
Adjustment to manufacturing overhead account:		
Manufacturing overhead incurred	302,000	
Manufacturing overhead allocated to production	292,000	10,000
Balance in Cost of Goods Sold after adjusting underallocated overhead		$451,700

Diff: 2
LO: M:2-6
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Summary of Journal Entries

6) On January 1 Primary Manufacturing had a beginning balance in Work-in-Process Inventory of $80,500 and a beginning balance in Finished Goods Inventory of $21,000. During the year, Primary incurred manufacturing costs of $350,000.

In addition, the following transactions occurred during the year:
Job A-12 was completed for a total cost of $126,000 and was sold for $126,000.
Job A-13 was completed for a total cost of $205,000 and was sold for $210,000.
Job A-15 was completed for a total cost $61,000 but was not sold as of year-end.

The Manufacturing Overhead account had an unadjusted credit balance of $12,000, and was adjusted to zero at year-end.

What was the final balance in the Cost of Goods Sold account?
A) $319,000 debit balance
B) $343,000 debit balance
C) $331,000 debit balance
D) $12,000 credit balance
Answer: A
Explanation:

Cost of Goods Sold:	
Job A–12	$126,000
Job A–13	205,000
Adjustment to Manufacturing Overhead account:	
Overhead cost overallocated to be reduced from COGS	(12,000)
Balance in Cost of Goods Sold (debit)	$319,000

Diff: 2
LO: M:2-6
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Summary of Journal Entries

7) SES Manufacturing has finished production activities for the year. The company allocates manufacturing overhead based on direct labor costs. The company has provided the following information:

Total manufacturing overhead costs estimated at the beginning of the year	$143,000
Total direct labor costs estimated at the beginning of the year	$325,000
Total direct labor hours estimated at the beginning of the year	14,000 direct labor hours
Actual manufacturing overhead costs for the year	$160,700
Actual direct labor costs for the year	$363,000
Actual direct labor hours for the year	12,700 direct labor hours

Based on the above data, calculate the unadjusted ending balance in the Manufacturing Overhead account.
A) $16,720 credit balance
B) $16,720 debit balance
C) $980 credit balance
D) $980 debit balance
Answer: D
Explanation:

Total manufacturing overhead estimated at the beginning of the year	$143,000
Total direct labor costs estimated at the beginning of the year	/ 325,000
Manufacturing overhead allocation rate based on percentage of direct labor costs	44%
Actual direct labor costs for the year	x 363,000
Manufacturing overhead costs allocated to production	$159,720
Less: Actual manufacturing overhead costs for the year	(160,700)
Unadjusted ending balance in Manufacturing Overhead account (debit)	$980

Diff: 3
LO: M:2-6
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Summary of Journal Entries

8) On January 1, Frederic Manufacturing had a beginning balance in Work-in-Process Inventory of $160,000 and a beginning balance in Finished Goods Inventory of $26,000. During the year, Frederic incurred manufacturing costs of $203,000.

During the year, the following transactions occurred:
Job C-62 was completed for a total cost of $142,000 and was sold for $157,000.
Job C-63 was completed for a total cost of $184,000 and was sold for $210,000.
Job C-64 was completed for a total cost $80,000 but was not sold as of year-end.

The Manufacturing Overhead account had an unadjusted credit balance of $26,000 and was adjusted to zero at year-end.

What was the final balance in the Cost of Goods Sold account?
A) $300,000 debit balance
B) $352,000 debit balance
C) $352,000 credit balance
D) $300,000 credit balance
Answer: A
Explanation:

Cost of Goods Sold:	
Job C-62	$142,000
Job C-63	184,000
Adjustment to Manufacturing Overhead account:	
Overhead overallocated to be reduced from COGS	(26,000)
Balance in Cost of Goods Sold (debit)	$300,000

Diff: 2
LO: M:2-6
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Summary of Journal Entries

9) Connecticut Manufacturing began business on January 1. During its first year of operation, Connecticut worked on five industrial jobs and reported the following information at year-end:

	Job 1	**Job 2**	**Job 3**	**Job 4**	**Job 5**
Direct Materials	$2,400	$9,500	$4,000	$3,500	$1,500
Direct Labor	$14,000	$20,300	$13,000	$12,000	$800
Allocated Mfg. Overhead	$1,600	$7,900	$2,500	$7,500	$200
Job completed:	Jun 30	Sep 1	Oct 15	Nov 1	Not completed
Job sold:	Jul 10	Sep 12	Not sold	Not sold	N/A
Revenues:	$49,000	$47,000	N/A	N/A	N/A

Connecticut's allocation of overhead costs left a debit balance of $1,400 in the Manufacturing Overhead account, which was adjusted to zero at year-end. What was the final balance in Cost of Goods Sold for the year ended December 31?

A) $55,700
B) $57,100
C) $54,300
D) $18,000

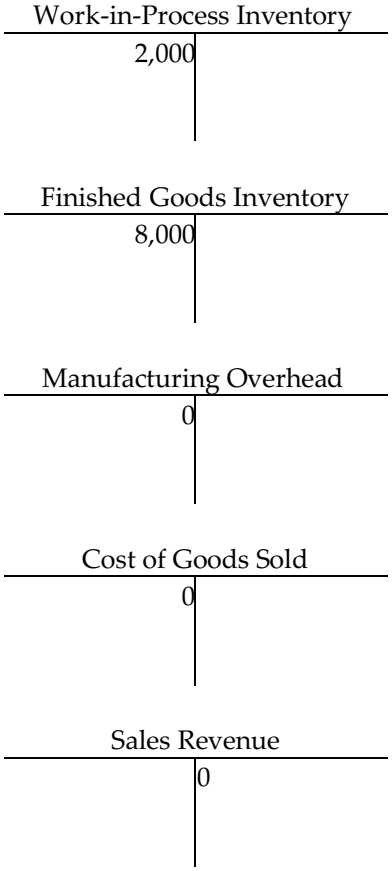
Answer: B

Explanation:

Cost of Goods Sold:	
Job 1 ($2,400 + $14,000 + $1,600)	$18,000
Job 2 ($9,500 + $20,300 + $7,900)	37,700
Underallocated overhead costs	1,400
Balance in Cost of Goods Sold	$57,100

Diff: 2
LO: M:2-6
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Summary of Journal Entries

10) At the beginning of the year, Rupert Manufacturing had the following account balances:



The following additional details are provided for the year:

Direct materials placed in production	$ 80,000
Direct labor incurred	190,000
Manufacturing overhead incurred	300,000
Manufacturing overhead allocated to production	295,000
Cost of jobs completed	500,000
Jobs sold for total revenue of	750,000
Cost of jobs sold	440,000

The remaining balance of Manufacturing Overhead was adjusted to zero. Calculate the ending balances in Work-in-Process Inventory, Finished Goods Inventory, Manufacturing Overhead (unadjusted), and Cost of Goods Sold (after adjustment.)

Answer:

Work-in-Process Inventory:		
Beginning balance		$2,000
Add:		
Direct materials placed in production		80,000
Direct labor incurred		190,000
Manufacturing overhead allocated to production		295,000
Less:		
Cost of jobs completed		(500,000)
Ending balance in Work-in-Process Inventory		$67,000 (Dr.)
Finished Goods Inventory:		
Beginning balance		$8,000
Add: Finished goods transferred from Work-in-Process Inventory		500,000
Less: Cost of Goods Sold		(440,000)
Ending balance		$68,000 (Dr.)
Manufacturing Overhead:		
Manufacturing overhead incurred		300,000
Less: Manufacturing overhead allocated to production		(295,000)
Unadjusted balance		5,000 (Dr.)
Cost of Goods Sold		$440,000
Adjustment to manufacturing overhead account:		
Manufacturing overhead incurred	$300,000	
Manufacturing overhead allocated to production	295,000	5,000
Balance in Cost of Goods Sold (after adjustments)		445,000 (Dr.)

Diff: 3
LO: M:2-6
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Summary of Journal Entries

11) Journalize the following transactions for Malone Custom Furniture Manufacturing (omit explanations):

a. Incurred and paid advertising expenses, $3,500.

b. Incurred manufacturing wages of $30,000, 60% of which was direct labor and 40% of which was indirect labor. Wages will be paid at a later date.

c. Purchased raw materials on account, $27,000.

d. Used in production: direct materials, $12,000; indirect materials, $5,500.

e. Recorded manufacturing overhead: depreciation on plant, $14,000; plant insurance (previously paid), $1,800; plant property tax, $4,500 (credit Property Tax Payable).

f. Allocated manufacturing overhead to jobs, 150% of direct labor costs.

g. Completed production on jobs with costs of $55,000.

h. Sold inventory on account, $64,000; cost of goods sold, $35,000. The company uses the perpetual inventory system.

i. Adjusted for overallocated or underallocated overhead.

Answer:

Item	Accounts and Explanation	Debit	Credit
a.	Advertising Expenses	3,500	
	Cash		3,500
b.	Work-in-Process Inventory	18,000	
	Manufacturing Overhead	12,000	
	Wages Payable		30,000
c.	Raw Materials Inventory	27,000	
	Accounts Payable		27,000
d.	Work-in-Process Inventory	12,000	
	Manufacturing Overhead	5,500	
	Raw Materials Inventory		17,500
e.	Manufacturing Overhead	14,000	
	Accumulated Depreciation - Plant		14,000
	Manufacturing Overhead	1,800	
	Prepaid Insurance		1,800
	Manufacturing Overhead	4,500	
	Property Tax Payable		4,500
f.	Work-in-Process Inventory ($18,000 × 150%)	27,000	
	Manufacturing Overhead		27,000
g.	Finished Goods Inventory	55,000	
	Work-in-Process Inventory		55,000
h.	Accounts Receivable	64,000	
	Sales Revenue		64,000
	Cost of Goods Sold	35,000	
	Finished Goods Inventory		35,000
i.	Cost of Goods Sold	10,800	
	Manufacturing Overhead		10,800

*((b) $12,000 + (d) $5,500 + (e) $14,000 + $1,800 + $4,500) – (f) $27,000
Diff: 3
LO: M:2-6
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Summary of Journal Entries

12) Journalize the following transactions for Jackson Manufacturing (omit explanations):
a. Purchased materials on account, $5,000.
b. Incurred manufacturing wages of $100,000, 60% of which was direct labor and 40% of which was indirect labor. Wages will be paid at a later date.
c. Used in production: direct materials, $12,000; indirect materials, $500
d. Recorded manufacturing overhead: depreciation on plant, $20,000 and plant insurance (previously paid), $2,800.
e. Allocated manufacturing overhead to jobs, 110% of direct labor costs.
f. Completed production on jobs with costs of $45,000.
g. Sold inventory on account, $70,000; cost of goods sold, $45,000. The company uses the perpetual inventory system.
h. Adjusted for overallocated or underallocated overhead.

Answer:

Item	Accounts and Explanation	Debit	Credit
a.	Raw Materials Inventory	5,000	
	Accounts Payable		5,000
b.	Work-in-Process Inventory	60,000	
	Manufacturing Overhead	40,000	
	Wages Payable		100,000
c.	Work-in-Process Inventory	12,000	
	Manufacturing Overhead	500	
	Raw Materials Inventory		12,500
d.	Manufacturing Overhead	20,000	
	Accumulated Depreciation - Plant		20,000
	Manufacturing Overhead	2,800	
	Prepaid Insurance		2,800
e.	Work-in-Process Inventory ($60,000 × 110%)	66,000	
	Manufacturing Overhead		66,000
f.	Finished Goods Inventory	45,000	
	Work-in-Process Inventory		45,000
g.	Accounts Receivable	70,000	
	Sales Revenue		70,000
	Cost of Goods Sold	45,000	
	Finished Goods Inventory		45,000
h.	Manufacturing Overhead*	2,700	
	Cost of Goods Sold		2,700

* (e) $66,000 - ((b) $40,000 + (c) $500 + (d) $20,000 + (d) $2,800) = $2,700

Diff: 3
LO: M:2-6
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: Summary of Journal Entries

13) When completing the schedule of cost of goods manufactured, the allocated manufacturing overhead is used instead of the actual overhead incurred.
Answer: TRUE
Diff: 1
LO: M:2-6
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Cost of Goods Manufactured and Cost of Goods Sold

14) On the income statement, the underallocated amount for overhead is adjusted by subtracting the amount to calculate cost of goods sold.
Answer: FALSE
Explanation: On the income statement, the underallocated amount for overhead is adjusted by adding the amount to calculate cost of goods sold and if the amount for overhead had been overallocated, the adjustment would be a subtraction from cost of goods sold.
Diff: 1
LO: M:2-6
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Cost of Goods Manufactured and Cost of Goods Sold

15) When determining cost of goods sold, you start with beginning Work-in-Process Inventory.
Answer: FALSE
Explanation: When determining cost of goods sold, you start with beginning Finished Goods Inventory.
Diff: 1
LO: M:2-6
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Cost of Goods Manufactured and Cost of Goods Sold

16) Ending Finished Goods Inventory is subtracted when determining cost of goods sold.
Answer: TRUE
Diff: 1
LO: M:2-6
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Cost of Goods Manufactured and Cost of Goods Sold

17) On January 1, Alistair Manufacturing had a beginning balance in Work-in-Process Inventory of $162,000 and a beginning balance in Finished Goods Inventory of $22,000. During the year, Alistair incurred manufacturing costs of $201,000.

During the year, the following transactions occurred:
Job C-62 was completed for a total cost of $140,000 and was sold for $157,000.
Job C-63 was completed for a total cost of $181,000 and was sold for $211,000.
Job C-64 was completed for a total cost $84,000 but was not sold as of year-end.

The Manufacturing Overhead account had an unadjusted credit balance of $26,000 and was adjusted to zero at year-end.

What was the amount of gross profit reported by Alistair at the end of the year?
A) $47,000
B) $73,000
C) $17,000
D) $30,000
Answer: B
Explanation:

Total revenue:		
Job C-62		$157,000
Job C-63		211,000
Less: Cost of Goods Sold:		
Job C-62	$140,000	
Job C-63	181,000	
Manufacturing overhead overallocated to production	(26,000)	(295,000)
Gross Profit		$73,000

Diff: 2
LO: M:2-6
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Cost of Goods Manufactured and Cost of Goods Sold

18) The schedule of cost of goods manufactured starts with _____.
A) Beginning Work-in-Process Inventory
B) Ending Work-in-Process Inventory
C) Beginning Finished Goods Inventory
D) Ending Finished Goods Inventory
Answer: A
Diff: 1
LO: M:2-6
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Cost of Goods Manufactured and Cost of Goods Sold

19) On January 1, Standard Manufacturing had a beginning balance in Work-in-Process Inventory of $81,700 and a beginning balance in Finished Goods Inventory of $20,000. During the year, Standard incurred manufacturing costs of $353,000.

During the year, the following transactions occurred:
Job A-12 was completed for a total cost of $124,000 and was sold for $128,000.
Job A-13 was completed for a total cost of $200,000 and was sold for $210,000.
Job A-15 was completed for a total cost $62,000 but was not sold as of year-end.

The Manufacturing Overhead account had an unadjusted credit balance of $16,000 and was adjusted to zero at year-end.

What was the amount of gross profit reported by Standard at the end of the year?
A) $10,000
B) $30,000
C) $4,000
D) $14,000
Answer: B
Explanation:

Total revenue:		
Job A–12		$128,000
Job A–13		210,000
Less: Cost of Goods Sold:		
Job A–12	$124,000	
Job A–13	200,000	(324,000)
Overhead overallocated to be reduced from COGS		16,000
Gross Profit		$30,000

Diff: 2
LO: M:2-6
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Cost of Goods Manufactured and Cost of Goods Sold

20) The last calculation in the schedule of cost of goods manufactured ends with _____.
A) adding Beginning Work-in-Process Inventory
B) subtracting Ending Work-in-Process Inventory
C) adding Beginning Finished Goods Inventory
D) subtracting Ending Finished Goods Inventory
Answer: B
Diff: 1
LO: M:2-6
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Cost of Goods Manufactured and Cost of Goods Sold

21) South Bay Manufacturing began business on January 1. During its first year of operation, South Bay worked on five industrial jobs and reported the following information at year-end:

	Job 1	Job 2	Job 3	Job 4	Job 5
Direct Materials	$1,800	$9,500	$4,000	$3,500	$1,500
Direct Labor	$15,000	$22,100	$13,000	$12,000	$800
Allocated Mfg. Overhead	$1,800	$6,100	$2,500	$7,500	$200
Job completed:	Jun 30	Sep 1	Oct 15	Nov 1	Not completed
Job sold:	Jul 10	Sep 12	Not sold	Not sold	N/A
Revenues:	$27,000	$47,000	N/A	N/A	N/A

South Bay's allocation of overhead costs left a debit balance of $1,800 in the Manufacturing Overhead account, which was adjusted to zero at year-end. What was the amount of gross profit earned during the year?
A) $15,900
B) $7,500
C) $17,700
D) $6,600
Answer: A
Explanation:

Sales Revenue:		
Job 1	$27,000	
Job 2	47,000	$74,000
Less: Cost of Goods Sold:		
Job 1 ($1,800 + $15,000 + $1,800)	$18,600	
Job 2 ($9,500 + $22,100 + $6,100)	37,700	
Underallocated overhead costs	1,800	(58,100)
Gross profit		$15,900

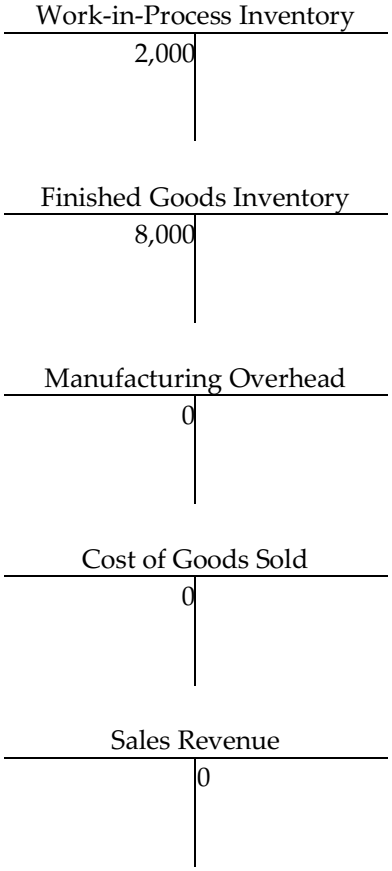
Diff: 3
LO: M:2-6
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Cost of Goods Manufactured and Cost of Goods Sold

22) The calculation of cost of goods sold starts with _____.
A) Beginning Work-in-Process Inventory
B) Ending Work-in-Process Inventory
C) Beginning Finished Goods Inventory
D) Ending Finished Goods Inventory
Answer: C
Diff: 1
LO: M:2-6
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Cost of Goods Manufactured and Cost of Goods Sold

23) The calculation of cost of goods sold ends with _____ (before any adjustments).
A) adding Beginning Work-in-Process Inventory
B) subtracting Ending Work-in-Process Inventory
C) adding Beginning Finished Goods Inventory
D) subtracting Ending Finished Goods Inventory
Answer: D
Diff: 1
LO: M:2-6
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Cost of Goods Manufactured and Cost of Goods Sold

24) Any adjustment for overallocated overhead is _____.
A) added to schedule of cost of goods manufactured
B) subtracted from schedule of cost of goods manufactured
C) added to cost of goods sold
D) subtracted from cost of goods sold
Answer: D
Diff: 1
LO: M:2-6
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Cost of Goods Manufactured and Cost of Goods Sold

25) At the beginning of the year, Berkshire Manufacturing had the following account balances:



The following additional details are provided for the year:

Direct materials placed in production	$81,000
Direct labor incurred	190,000
Manufacturing overhead incurred	300,000
Manufacturing overhead allocated to production	290,000
Cost of jobs completed and transferred	500,000
Sales revenue	750,000
Cost of goods sold (before adjustment)	446,100

Calculate the gross profit Berkshire will report for the year.
A) $250,000
B) $293,900
C) $303,900
D) $456,100

Answer: B
Explanation:

Total revenue			$750,000
Less: Cost of Goods Sold:			
Cost of Goods sold		$446,100	
Adjustment to Manufacturing Overhead:			
Manufacturing overhead incurred	$300,000		
Manufacturing overhead allocated to production	290,000	10,000	
Cost of Goods Sold			456,100
Gross Profit			$293,900

Diff: 2
LO: M:2-6
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Cost of Goods Manufactured and Cost of Goods Sold

26) Any adjustment for underallocated overhead is _____.
A) added to schedule of cost of goods manufactured
B) subtracted from schedule of cost of goods manufactured
C) added to cost of goods sold
D) subtracted from cost of goods sold
Answer: C
Diff: 1
LO: M:2-6
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: Cost of Goods Manufactured and Cost of Goods Sold

27) Based on the following information, prepare a Schedule of Cost of Goods Manufactured and a multi-step Income Statement for Junaluska Company for the year ended December 31, 2020

Beginning Work-in-Process Inventory, Jan. 1	$60,000
Ending Work-in-Process Inventory, Dec. 31	40,000
Beginning Finished Goods Inventory, Jan. 1	50,000
Ending Finished Goods Inventory, Dec. 31	20,000
Net Sales Revenue	1,800,000
Selling and Administrative Expenses	500,000
Direct Labor	300,000
Manufacturing Overhead; actual and allocated	400,000
Direct Materials Used	200,000
Income Tax Expense	70,000

Answer:

Junaluska Company Schedule of Cost of Goods Manufactured For the year ended Dec. 31, 2020		
Beginning Work-in-Process Inventory		$60,000
Direct Materials Used	$200,000	
Direct Labor	300,000	
Manufacturing Overhead Allocated	400,000	
Total Manufacturing Costs Incurred During the Year		900,000
Total Manufacturing Costs to Account For		960,000
Less: Ending Work in Process Inventory		40,000
Cost of Goods Manufactured		$920,000

Junaluska Company Income Statement For the year ended Dec. 31, 2020		
Net Sales Revenue		$1,800,000
Cost of Goods Sold:		
Beginning Finished Goods Inventory	$50,000	
Plus: Cost of Goods Manufactured	920,000	
Cost of Goods Available for Sale	970,000	
Less: Ending Finished Goods Inventory	20,000	
Cost of Goods Sold		950,000
Gross Profit		850,000
Less: Selling and Administrative Expenses		500,000
Operating Income		350,000
Less: Income Tax Expense		70,000
Net Income		$280,000

Diff: 3
LO: M:2-6
AACSB: Application of knowledge
AICPA Functional: Reporting
PE Question Type: Application
H2: Cost of Goods Manufactured and Cost of Goods Sold

Learning Objective M:2-7

1) Dezire Travel Services provided the following information:

Direct labor rate: $81 per hour
Predetermined allocation rate for indirect costs: $17 per direct labor hour

If Dezire records revenue of $1,600 for a job requiring 8 hours of direct labor, then Dezire will make a profit of $952.
Answer: FALSE
Explanation:

Revenue	$1,600
Less costs:	
Direct labor ($81 × 8 hours)	(648)
Indirect labor ($17 × 8 hours)	(136)
Profit	$816

Diff: 2
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: How Do Service Companies Use a Job Order Costing System? (H1)

2) Mumbai Travel Services provided the following information:

Direct labor rate: $40 per hour
Predetermined allocation rate for indirect costs: $32 per direct labor hour

If Mumbai Travel records revenue of $450 for a job requiring 6 hours of direct labor, then Mumbai Travel will make a profit of $18.
Answer: TRUE
Explanation:

Revenue	$450
Less costs:	
Direct labor ($40 × 6 hour)	(240)
Indirect labor ($32 × 6 hours)	(192)
Profit	$18

Diff: 2
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: How Do Service Companies Use a Job Order Costing System? (H1)

3) Pluto Travel Services provided the following information:

Direct labor rate: $45 per hour
Predetermined allocation rate for indirect costs: $23 per direct labor hour

Pluto is negotiating a job with a new client. The job will require 11 hours of direct labor. If Pluto wishes to have at least a 15% gross profit on the revenues, it needs to record $715 of revenues.
Answer: FALSE
Explanation:
Costs:

Direct labor ($45 × 11 hours)	$495
Indirect labor ($23 × 11 hours)	253
Total costs	748

Revenues - Total Costs = Gross Profit
If Revenues = X then,
X - $748 = 0.15X
Or, 0.85X = $748
Therefore, X = 880.00
Diff: 2
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: How Do Service Companies Use a Job Order Costing System? (H1)

4) Job order costing is well suited for the service industry.
Answer: TRUE
Diff: 1
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Service Companies Use a Job Order Costing System? (H1)

5) When job order costing is used in the service industry, the allocation of indirect costs is normally based on machine hours.
Answer: FALSE
Explanation: Since the service industry is labor intensive, machine hours would not normally be a relevant allocation base for the overhead.
Diff: 1
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Service Companies Use a Job Order Costing System? (H1)

6) For a service company, such as an accounting firm, each client is considered a job.
Answer: TRUE
Diff: 1
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Service Companies Use a Job Order Costing System? (H1)

7) Unlike manufacturing companies, service companies use an allocation base for allocating both direct and indirect costs.
Answer: FALSE
Explanation: Allocation bases are used to allocated indirect costs. No allocation base is necessary for direct costs because they can be traced easily (and directly) to the cost object.
Diff: 1
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Service Companies Use a Job Order Costing System? (H1)

8) Process costing rather than job order costing is more appropriate for service companies.
Answer: FALSE
Explanation: Job costing is most likely more appropriate or more often appropriate for services.
Diff: 1
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Service Companies Use a Job Order Costing System? (H1)

9) Highland, Inc., an engineering firm, uses a job order costing system to accumulate client-related costs. The predetermined overhead allocation rate is 50% of staff labor cost. The work by engineers is charged to jobs at a rate of $31 per staff labor hour. A recent job for a client used 60 staff labor hours. How much was the total job cost?
A) $930
B) $1,860
C) $2,790
D) $30
Answer: C
Explanation:

Direct labor ($60 × 31 staff labor hours)	$1,860
Indirect costs ($1,860 × 50%)	930
Total job cost	$2,790

Diff: 1
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: How Do Service Companies Use a Job Order Costing System? (H1)

10) Bass Accounting Services expects its accountants to work a total of 29,000 direct labor hours per year. The company's estimated total indirect costs are $319,000. The company uses direct labor hours as the allocation base for indirect costs. What is the indirect cost allocation rate?
A) $11.00 per hour
B) $22.00 per hour
C) $110.00 per hour
D) $13.20 per hour
Answer: A
Explanation: Predetermined overhead allocation rate = Expected indirect costs / Expected direct labor hours

Expected indirect costs	$319,000
Divided by: Expected direct labor hours	/ 29,000 hours
Predetermined overhead allocation rate per direct labor hour	$11.00

Diff: 1
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: How Do Service Companies Use a Job Order Costing System? (H1)

11) Neptune Accounting Services expects its accountants to work for 26,000 direct labor hours per year. The company's estimated total indirect costs are $239,000. The direct labor rate is $70 per hour. The company uses direct labor hours as the allocation base for indirect costs. If Neptune performs a job requiring 20 hours of direct labor, what is the total job cost? (Round any intermediate calculations to the nearest cent, and your final answer to the nearest dollar.)
A) $239,000
B) $184
C) $1,584
D) $1,400
Answer: C
Explanation:

Expected indirect costs	$239,000
Divided by: Expected direct labor hours	/ 26,000 hours
Predetermined overhead allocation rate per direct labor hour	$9.19

Costs:

Direct labor (20 hours × $70)	$1,400
Indirect labor (20 hours × $9.19)	$ 184
Total job cost	$1,584

Diff: 2
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: How Do Service Companies Use a Job Order Costing System? (H1)

12) Baptiste Accounting Services expects its accountants to work a total of 33,000 direct labor hours per year. The company's estimated total indirect costs are $152,000. The direct labor rate is $104 per hour. The company uses direct labor hours as the allocation base for indirect costs. If Baptiste performs a job requiring 54 hours of direct labor and bills the client using a standard markup of 40% of costs, calculate the amount of the client's bill. (Round any intermediate calculations to the nearest cent, and your final answer to the nearest dollar.)
A) $5,616
B) $224,640
C) $2,346
D) $8,211
Answer: D
Explanation:

Expected indirect costs	$152,000
Expected direct labor hours	/ 33,000
Predetermined overhead allocation rate per direct labor hour	$4.61

Direct labor (54 hours × $104/hour)	$5,616
Indirect labor (54 hours × $4.61/hour)	$248.94
Total job cost (A)	$5,864.94
Times: Mark up percentage	× 40%
Mark up on total job cost (B)	$2,345.98
Total amount of client's bill (A + B)	$8,211

Diff: 2
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: How Do Service Companies Use a Job Order Costing System? (H1)

13) Bacon Financial Advisors provides accounting and finance assistance to customers in the retail business. Bacon has four professionals on staff and an office with six clerical staff. Total compensation, including benefits, for the professional staff runs about $572,000 per year, and normal billable hours are 8,300 hours per year. The professional staff keep detailed time sheets organized by client number. The total office and administrative costs for the year are $754,000. What is the direct labor rate for the professional staff? (Round your answer to the nearest cent.)
A) $90.84 per hour
B) $21.93 per hour
C) $68.92 per hour
D) $159.76 per hour
Answer: C
Explanation:

Total compensation to professional staff (A)	$572,000
Total number of hours billed by professional staff (B)	8,300 hours
Direct labor rate (A / B)	$68.92

Diff: 1
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: How Do Service Companies Use a Job Order Costing System? (H1)

14) Seal Financial Advisors provides accounting and finance assistance to customers in the retail business. Seal has four professionals on staff and an office with six clerical staff. Total compensation, including benefits, for the professional staff runs about $575,000 per year, and normal billable hours are 8,000 hours per year. The professional staff keep detailed time sheets organized by client number. The total office and administrative costs for the year are $754,000. Seal allocates office and administrative costs to clients monthly, using a predetermined overhead allocation rate based on billable hours. What is the predetermined overhead allocation rate that Seal will use for office and administrative costs? (Round your answer to the nearest cent.)

A) $94.25 per hour
B) $22.38 per hour
C) $71.88 per hour
D) $166.13 per hour

Answer: A

Explanation:

Office and administrative costs per year (A)	$754,000
Total number of hours billed by professional staff (B)	8,000 hours
Predetermined overhead allocation rate used for office and administrative costs (A / B)	$94.25

Diff: 1
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: How Do Service Companies Use a Job Order Costing System? (H1)

15) Summit Financial Advisors provides accounting and finance assistance to customers in the retail business. Summit has four professionals on staff and an office with six clerical staff. Total compensation, including benefits, for the professional staff run about $776,000 per year, and it normally has about 8,000 billable hours per year. The professional staff keep detailed time sheets organized by client number. The total office and administrative costs for the year are $616,000.
Summit allocates office and administrative costs to clients monthly, using a predetermined overhead allocation rate based on billable hours. During July, Summit's professionals spent 37 hours on their client. What is the total amount of cost that Summit will record for the client for the month? (Round any intermediate calculations to the nearest cent, and your final answer to the nearest dollar.)
A) $3,589
B) $2,849
C) $1,392,000
D) $6,438
Answer: D
Explanation:

Total compensation to professional staff (A)	$776,000
Total number of hours billed by professional staff (B)	8,000
Direct labor rate (A / B)	$97
Office and administrative costs per year (A)	$616,000
Total number of hours billed by professional staff (B)	8,000 hours
Predetermined overhead allocation rate used for indirect costs (A / B)	$77

Costs:

Direct labor (37 × $97/hour)	$3,589
Indirect labor (37 × $77/hour)	2,849
Total job cost	$6,438

Diff: 2
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: How Do Service Companies Use a Job Order Costing System? (H1)

16) Mira Financial Advisors provides accounting and finance assistance to customers in the retail business. Mira has four professionals on staff, plus an office with six clerical staff. Total compensation, including benefits, for the professional staff runs about $756,000 per year, and it normally has about 8,100 billable hours per year. The professional staff keep detailed time sheets organized by client number. The total office and administrative costs for the year are $575,000.
Mira allocates office and administrative costs to clients monthly, using a predetermined overhead allocation rate based on billable hours. During July, Mira's professionals spent 38 hours on their client, Riley Sales. Mira adds a 20% markup on its costs to calculate the amount billed to the customer. How much should the company charge Riley Sales for the month of July? (Round your intermediate calculations to the nearest cent, and your final answer to the nearest dollar.)
A) $3,547
B) $181,000
C) $7,493
D) $6,244
Answer: C
Explanation:

Total compensation to professional staff (A)	$756,000
Total number of hours billed by professional staff (B)	8,100 hours
Cost allocation rate used for direct labor (A / B)	$93.33
Office and administrative costs per year (A)	$575,000
Total number of hours billed by professional staff (B)	8,100 hours
Cost allocation rate used for office and administrative costs (A / B)	$70.99

Costs:	
Direct labor ($93.33/hour × 38 hours)	$3,546.54
Indirect labor ($70.99/hour × 38 hours)	2,697.62
Total job cost (A)	$6,244.16
Mark up percentage	× 20%
Mark up on total job cost (B)	$1,248.83
Total amount of client's bill (A + B)	$7,493

Diff: 3
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: How Do Service Companies Use a Job Order Costing System? (H1)

17) Brink Financial Advisors provides accounting and finance assistance to customers in the retail business. Brink has four professionals on staff, plus an office with six clerical staff. Total compensation, including benefits, for the professional staff runs up to $850,000 per year, and normal billable hours are about 3,200 billable hours per year. The professional staff keep detailed time sheets organized by client number. The total office and administrative costs for the year are $280,000.
Brink allocates office and administrative costs to clients monthly, using a predetermined overhead allocation rate based on billable hours. During July, Brink's professionals spent 48 hours on their client, Waseca Sales. Brink adds a 20% markup on its costs to calculate the amount billed to the customer. How much gross profit did Brink earn from Waseca Sales in July? (Round any intermediate calculations to two decimal places, and your final answer to the nearest whole number.)
A) $16,950
B) $2,550
C) $4,200
D) $3,390
Answer: D
Explanation: Gross profit is the mark-up charged on costs incurred.

Total compensation to professional staff (A)	$850,000
Total number of hours billed by professional staff (B)	3,200 hours
Cost allocation rate used for direct labor (A / B)	$265.63

Office and administrative costs per year (A)	$280,000
Total number of hours billed by professional staff (B)	3,200 hours
Cost allocation rate used for office and administrative costs (A / B)	$87.50

Costs:	
Direct labor ($265.63/hour × 48 hours)	$12,750
Indirect labor ($87.50/hour × 48 hours)	$4,200
Total job cost	$16,950
Mark up percentage	× 20%
Mark up on total job cost	$3,390

Diff: 3
LO: M:2-7
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: How Do Service Companies Use a Job Order Costing System? (H1)

18) Fogelin Promotional Services uses a job order system for costing and billing promotional services for dance and ballet performances. Fogelin has four public relations specialists and office staff. At the beginning of the year, Fogelin estimated the total cost of salaries and benefits for the public relations specialists at $403,900 and a total of 7,000 billable hours for the year. The office and administrative costs were estimated at $677,000. What direct labor rate would Fogelin use for the cost of its specialists? (Round your answer to the nearest cent.)
A) $96.71 per hour
B) $154.41 per hour
C) $39.01 per hour
D) $57.70 per hour
Answer: D
Explanation:

Total compensation to specialists (A)	$403,900
Total number of hours billed by specialists (B)	7,000 hours
Cost of specialists per hour (A / B)	$57.70

Diff: 1
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: How Do Service Companies Use a Job Order Costing System? (H1)

19) Saber Promotional Services uses a job order system for costing and billing promotional services for dance and ballet performances. Saber has four public relations specialists and office staff. At the beginning of the year, Saber estimated the total cost of salaries and benefits for the public relations specialists at $403,800 and a total of 7,200 billable hours for the year. The office and administrative costs were estimated at $674,000. The allocation base for office and administrative costs is billable hours. What rate would Saber use for allocating the cost of its office and administrative staff? (Round your answer to the nearest cent.)
A) $93.61 per hour
B) $149.69 per hour
C) $37.53 per hour
D) $56.08 per hour
Answer: A
Explanation:

Office and administrative costs per year	$674,000
Total number of hours billed by specialists	/ 7,200 hours
Predetermined overhead allocation rate used for indirect costs	$93.61

Diff: 1
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: How Do Service Companies Use a Job Order Costing System? (H1)

20) Groot Promotional Services uses a job order system for costing and billing promotional services for dance and ballet performances. Groot has four public relations specialists plus an office staff. At the beginning of the year, Groot estimated the total cost of salaries and benefits for the public relations specialists at $656,000 and a total of 8,000 billable hours for the year. All remaining office and administrative costs were estimated at $392,000. The allocation base for office and administrative costs is billable hours. In June, Groot signed a contract for a Russian ballet performance. It estimated the new contract would require 36 hours of specialist time. What is the total cost estimate for this contract?
A) $1,764
B) $4,716
C) $2,952
D) $1,188
Answer: B
Explanation:

Total compensation to specialists (A)	$656,000
Total number of hours billed by specialists (B)	8,000 hours
Direct labor rate (A / B)	$82

Office and administrative costs per year (A)	$392,000
Total number of hours billed by specialists (B)	8,000 hours
Predetermined overhead allocation rate used for indirect costs (A / B)	$49

Costs:

Direct labor ($82/hour × 36 hours)	$2,952
Indirect labor ($49/hour × 36 hours)	1,764
Total job cost	$4,716

Diff: 2
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: How Do Service Companies Use a Job Order Costing System? (H1)

21) Island Promotional Services uses a job order system for costing and billing promotional services for dance and ballet performances. Island has four public relations specialists and office staff. At the beginning of the year, Island estimated the total cost of salaries and benefits for the public relations specialists at $672,000 and a total of 7,000 billable hours for the year. The office and administrative costs were estimated at $406,000. The allocation base for office and administrative costs is billable hours. In June, Island signed a contract for a Russian ballet performance. It negotiated a price of $6,500 for its services. When the job was complete, Island's records showed that it had logged 37.0 billable hours. What was the actual total cost of the job for Island?

A) $5,698
B) $2,146
C) $3,552
D) $1,406

Answer: A

Explanation:

Total compensation to specialists	$672,000
Total number of hours billed by specialists	7,000 hours
Direct labor rate ($672,000/7,000)	$96

Office and administrative costs per year	$406,000
Total number of hours billed by specialists	7,000 hours
Predetermined overhead allocation rate used for indirect costs ($406,000/7,000)	$58

Costs:	
Direct labor ($96/hour × 37.0 hours)	$3,552
Indirect labor ($58/hour × 37.0 hours)	2,146
Total job cost	$5,698

Diff: 2
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: How Do Service Companies Use a Job Order Costing System? (H1)

22) Lake Country Promotional Services uses a job order system for costing and billing promotional services for dance and ballet performances. Lake Country has four public relations specialists plus an office staff. At the beginning of the year, Lake Country estimated the total cost of salaries and benefits for the public relations specialists at $663,000 and a total of 7,800 billable hours for the year. The office and administrative costs were estimated at $390,000. The allocation base for office and administrative costs is billable hours. In June, Lake Country signed a contract for a Russian ballet performance. It negotiated a price of $7,000 for its services. When the job was complete, Lake Country's records showed that it had logged 36.5 billable hours. What was the amount of gross profit that Lake Country made on the job?
A) $7,000
B) $3,103
C) $2,072
D) $1,825
Answer: C
Explanation:

Total compensation to specialists	$663,000
Total number of hours billed by specialists	7,800 hours
Direct labor rate per hour ($663,000/7,800)	$85

Office and administrative costs per year	$390,000
Total number of hours billed by specialists	7,800 hours
Predetermined overhead allocation rate used for indirect costs ($390,000/7,800)	$50

Revenue	$7,000
Less costs:	
Direct labor ($85/hour × 36.5 hours)	($3,103)
Indirect labor ($50/hour × 36.5 hours)	(1,825)
Gross profit	$2,072

Diff: 3
LO: M:2-7
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: How Do Service Companies Use a Job Order Costing System? (H1)

23) Littleton Promotional Services uses a job order system for costing and billing promotional services for dance and ballet performances. Littleton has four public relations specialists and office staff. At the beginning of the current year, Littleton estimated the total cost of salaries and benefits for the public relations specialists at $656,000 and a total of 8,000 billable hours for the year. The office and administrative costs were estimated at $392,000. The allocation base for office and administrative costs is billable hours. A new client is contracting with Littleton to promote a ballet tour in the United States. Littleton estimates that the job will require 40 billable hours of specialist time. If Littleton wishes to have a 25% mark up on cost on the job, what price should Littleton quote to the client?
A) $3,280
B) $1,960
C) $6,550
D) $1,310
Answer: C

Explanation: Total compensation to specialists	$656,000
Total number of hours billed by specialists	8,000 hours
Direct labor rate per hour ($656,000/8,000)	$82

Office and administrative costs per year	$392,000
Total number of hours billed by specialists	8,000 hours
Predetermined overhead allocation rate used for indirect costs ($392,000/8,000)	$49

Costs:

Direct labor ($82/hour × 40 hours)	$3,280
Indirect labor ($49/hour × 40 hours)	1,960
Total job cost (A)	$5,240
Mark up percentage	× 25%
Mark up on total job cost (B)	$1,310
Amount of clients' bill (A + B)	$6,550

Diff: 3
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Application
H2: How Do Service Companies Use a Job Order Costing System? (H1)

24) Service firms have _____.
A) non-inventorial costs only
B) inventory costs only
C) labor costs only
D) non-inventorial costs and inventory costs
Answer: D
Diff: 1
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Service Companies Use a Job Order Costing System? (H1)

25) When job order costing is used in the service industry, the allocation of indirect costs is normally based on _____.
A) machine hours
B) direct labor hours
C) indirect costs
D) employee hourly rates
Answer: B
Diff: 1
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Service Companies Use a Job Order Costing System? (H1)

26) For a service company, indirect costs are _____ to each customer for each job.
A) allocated
B) requisitioned
C) assigned
D) processed
Answer: A
Diff: 1
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Service Companies Use a Job Order Costing System? (H1)

27) For a service company, direct labor costs are _____ to each customer for each job.
A) allocated
B) requisitioned
C) assigned
D) processed
Answer: C
Diff: 1
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Service Companies Use a Job Order Costing System? (H1)

28) For a service business, a firm can use _____ to set the rate charged to clients.
A) process pricing
B) cost-plus pricing
C) direct cost pricing
D) departmental pricing
Answer: B
Diff: 1
LO: M:2-7
AACSB: Application of knowledge
AICPA Functional: Measurement
PE Question Type: Concept
H2: How Do Service Companies Use a Job Order Costing System? (H1)

29) Why would the manager of a service company most likely need to use job order costing?
Answer: Service companies, like some custom manufacturing companies, work on individual, unique jobs and need to know the cost of the jobs. Knowing the full cost of a job allows for better pricing decisions. In addition, knowledge about the full cost will help firms determine which services to offer and emphasize.
Diff: 2
LO: M:2-7
AACSB: Analytical thinking
AICPA Functional: Measurement
PE Question Type: Critical thinking
H2: How Do Service Companies Use a Job Order Costing System? (H1)