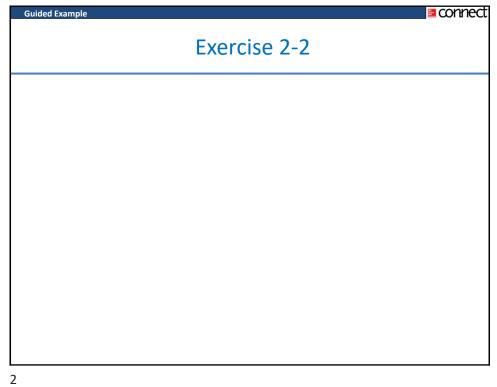
		Click on links
Exercise 2-2	Apply Overhead Cost to Jobs	Exercise 2-2
Exercise 2-3	Computing Total Job Costs and Unit Product Costs Using a Plantwide Predetermined Overhead Rate	Exercise 2-3
Exercise 2-5	Computing Total Job Costs and Unit Product Costs Using Multiple Predetermined Overhead Rates	Exercise 2-5
Exercise 2-6	Job-Order Costing for a Service Company	Exercise 2-6
Exercise 2-7	Job-Order Costing; Working Backwards	Exercise 2-7
Exercise 2-8	Applying Overhead Cost; Computing Unit Product Cost	Exercise 2-8
Exercise 2-9	Job-Order Costing and Decision Making	Exercise 2-9



# Guided Example

connect

Garret Corporation uses a predetermined overhead rate of \$42.45 per direct labor-hour. This plantwide predetermined rate was based on a cost formula that estimated \$7,216,500 of total manufacturing overhead for an estimated activity level of 170,000 direct labor-hours. The company incurred actual total manufacturing overhead costs of \$7,110,375 and 165,000 total direct labor-hours during the period.

# Required:

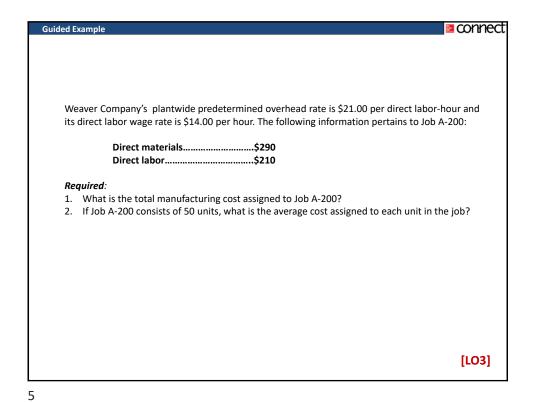
Determine the amount of manufacturing overhead that would have been applied to all jobs during the period.

Actual direct labor-hours	1	165,000
× Predetermined overhead rate	\$	42.45
= Applied manufacturing overhead	\$7.0	004,250

[LO2]

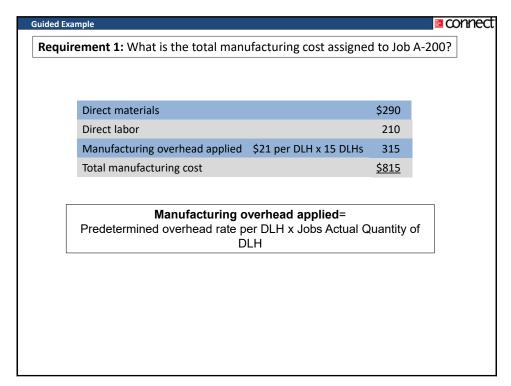
3

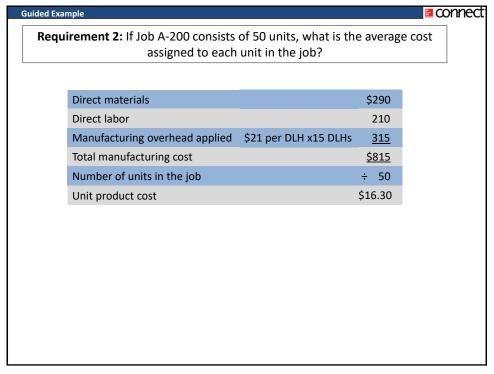
# Exercise 2-3

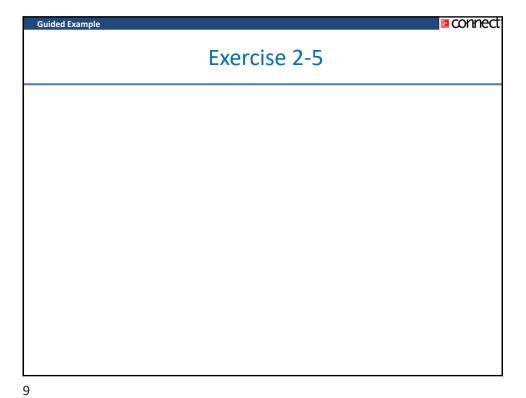


Total direct labor-hours required for Job A-200

Direct labor cost \$210
Direct labor wage rate per hour ÷ \$14
Total direct labor-hours 15







**Guided Example** 

connect

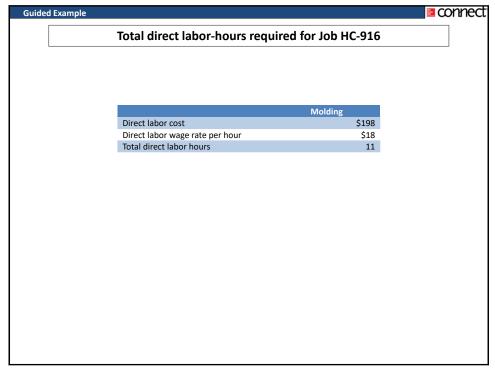
Lionheart Company has two manufacturing departments—Molding and Firing. The predetermined departmental overhead rates in Molding and Firing are \$23.00 per direct laborhour and 150% of direct materials cost, respectively. The company's direct labor wage rate is \$18.00 per hour. The following information pertains to Job HC-916

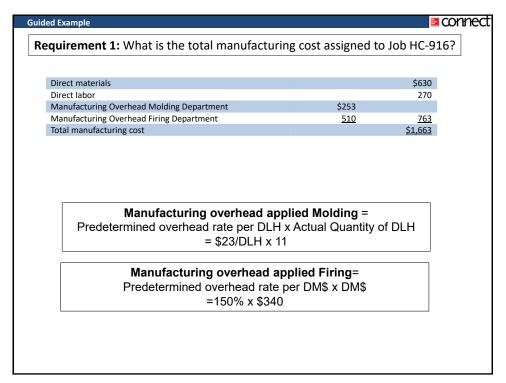
	Molding	Firing
Direct materials	\$290	\$340
Direct labor	\$198	\$72

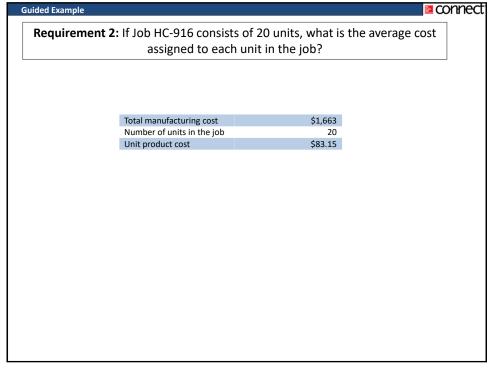
## Required:

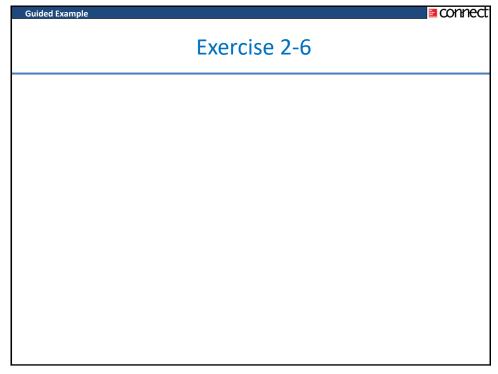
- 1. What is the total manufacturing cost assigned to Job HC-916?
- 2. If Job HC-916 consists of 20 units, what is the average cost assigned to each unit in the job?

[LO4]









### **Guided Example**

connect

Smart Strat is an advisory firm that uses a job-order costing system. Its direct materials consist of hardware and software that it purchases and installs on behalf of its clients. The firm's direct labor includes salaries of advisors that work at the client's job site, and its overhead consists of costs such as depreciation, utilities, and insurance related to the office headquarters as well as the office supplies that are consumed serving clients.

Smart Strat computes its predetermined overhead rate annually on the basis of direct laborhours. At the beginning of the year, it estimated that 65,000 direct labor-hours would be required for the period's estimated level of client service. The company also estimated \$445,250 of fixed overhead cost for the coming period and variable overhead of \$1.50 per direct labor-hour. The firm's actual overhead cost for the year was \$550,000 and its actual total direct labor was 67,000 hours.

### Required:

- 1. Compute the predetermined overhead rate.
- 2. During the year, Smart Strat started and completed the Valencia Company engagement. The following information was available with respect to this job:

Direct materials	\$29,000
Direct labor cost	\$28,500
Direct labor hours worked	300

Compute the total job cost for the Valencia Company engagement.

[LO1, LO2, LO3]

connect

15

Guided Example		
	Requirement:	

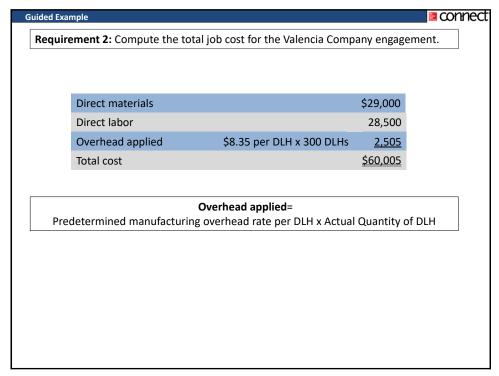
Compute the company's predetermined overhead rate for the year.

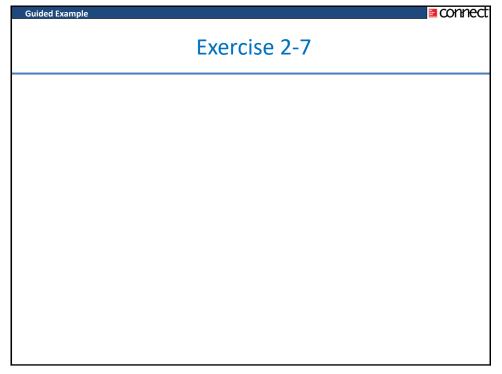
$$Y = a + bX$$

Y = \$445,250 + (\$1.50) (65,000 direct labor-hours)

Component	Amount
Estimated fixed overhead	\$445,250
Estimated variable overhead:	
\$1.50 per DLH × 65,000 DLHs	<u>97,500</u>
Estimated total overhead cost	\$542,750

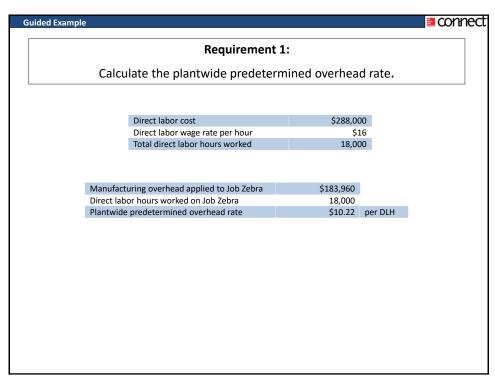
Estimated total overhead	\$542,750	
÷ Estimated total direct labor-hours (DLHs)	65,000	DLHs
= Predetermined plantwide overhead rate	\$8.35	per DLH

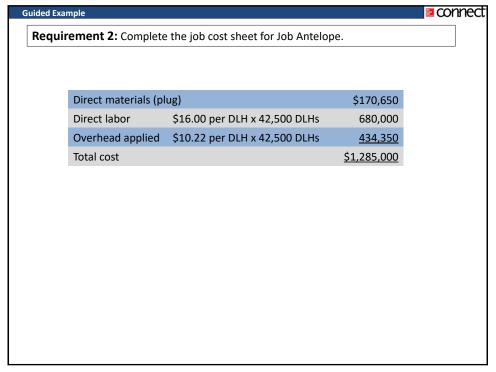


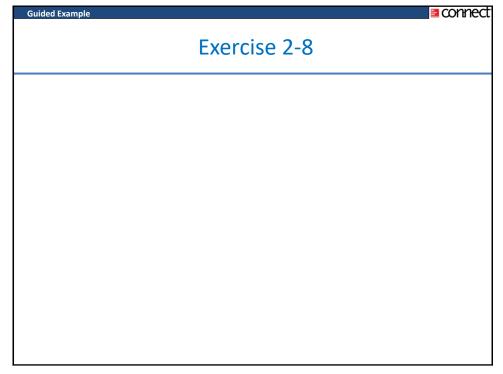


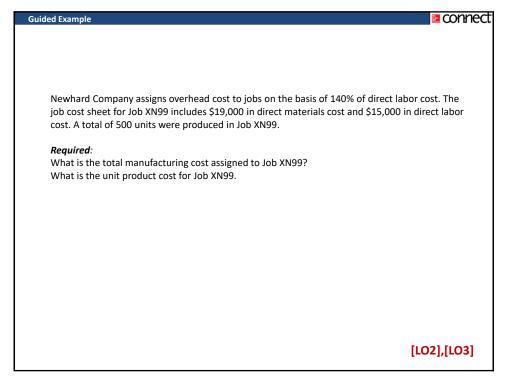
### Guided Example connect Ahad Company uses a job-order costing system. Its plantwide predetermined overhead rate uses direct labor-hours as the allocation base. The company pays its direct laborers \$16 per hour. During the year, the company started and completed only two jobs—Job Antelope, which used 42,500 direct labor-hours, and Job Zebra. The job cost sheets for the these two jobs are shown below: Job Antelope Job Zebra Direct materials ? Direct materials \$150,000 Direct labor cost Direct labor cost 288,000 Manufacturing overhead applied Manufacturing overhead applied <u>183,960</u> Total job cost \$1,285,000 Total job cost \$621,960 Required: 1. Calculate the plantwide predetermined overhead rate. 2. Complete the job cost sheet for Job Antelope.

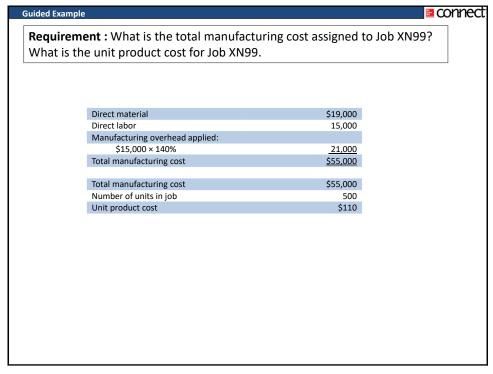
[LO1, LO2, LO3]

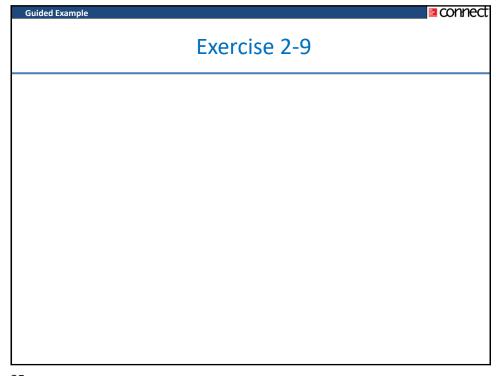












### **Guided Example**

connect

Vence Corporation is currently operating at 40% of its available manufacturing capacity. It uses a job-order costing system with a plantwide predetermined overhead rate based on machine-hours. At the beginning of the year, the company made the following estimates:

Machine-hours required to support estimated production	40,000
Fixed manufacturing overhead cost	\$792,000
Variable manufacturing overhead cost per machine-hour	\$1.50

# Required:

- 1. Compute the plantwide predetermined overhead rate.
- 2. During the year, Job 2K17 was started, completed, and sold to the customer for \$4,000. The following information was available with respect to this job:

Direct materials	\$2,100
Direct labor cost	\$1,265
Machine hours used	90

Compute the total manufacturing cost assigned to Job 2K17.

3. Upon comparing Job 2K17's sales revenue to its total manufacturing cost, the company's chief financial officer said "If this exact same opportunity walked through our front door tomorrow, I'd turn it down rather than making it and selling it for 4,000." Do you agree?

[LO1, LO2, LO3, LO6]

