

1



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Learning Objectives



1. Distinguish between job order costing and process costing
2. Record materials and labor costs in a job order costing system
3. Calculate the predetermined overhead allocation rate and allocate overhead costs

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Learning Objectives



4. Record the completion and sales of finished goods
5. Adjust for overallocated and underallocated overhead
6. Calculate job costs for a service company

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Learning Objective 1



**Distinguish between
job order costing and
process costing**

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Knowing the Cost of One Unit of Product Helps Managers to:

- Set selling prices that will lead to profits
- Compute cost of goods sold for the income statement
- Compute the cost of inventory for the balance sheet

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Examples of Unit Costs

Exhibit 19-1 Examples of Unit Costs

Managers of a(n):	Need to know the cost to:
Fast food restaurant	Make a cheeseburger
Freight service	Transport a pound of freight for a mile
Automobile manufacturer	Make a car
Construction firm	Build a house
Accounting firm	Prepare a tax return

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Costing Systems

Job Order Costing	Process Costing
<ul style="list-style-type: none"> • Unique product/ specialized service • Accumulates costs by job 	<ul style="list-style-type: none"> • Identical units • Accumulates costs by process

8

Four-Step Method to Track Product Costs

1. Accumulate
2. Assign
3. Allocate
4. Adjust

>TRY IT!

Would the following companies most likely use job order costing or process costing?

1. Paint manufacturer
2. Print shop
3. Caterer
4. Soft drink bottler
5. Yacht builder

>TRY IT!

Would the following companies most likely use job order costing or process costing?

1. Paint manufacturer **Process costing**
2. Print shop
3. Caterer
4. Soft drink bottler
5. Yacht builder

>TRY IT!

Would the following companies most likely use job order costing or process costing?

1. Paint manufacturer **Process costing**
2. Print shop **Job order costing**
3. Caterer
4. Soft drink bottler
5. Yacht builder

>TRY IT!

Would the following companies most likely use job order costing or process costing?

1. Paint manufacturer **Process costing**
2. Print shop **Job order costing**
3. Caterer **Job order costing**
4. Soft drink bottler
5. Yacht builder

>TRY IT!

Would the following companies most likely use job order costing or process costing?

1. Paint manufacturer **Process costing**
2. Print shop **Job order costing**
3. Caterer **Job order costing**
4. Soft drink bottler **Process costing**
5. Yacht builder

>TRY IT!

Would the following companies most likely use job order costing or process costing?

- | | |
|-----------------------|--------------------------|
| 1. Paint manufacturer | Process costing |
| 2. Print shop | Job order costing |
| 3. Caterer | Job order costing |
| 4. Soft drink bottler | Process costing |
| 5. Yacht builder | Job order costing |

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Learning Objective 2

Record materials and labor costs in a job order costing system



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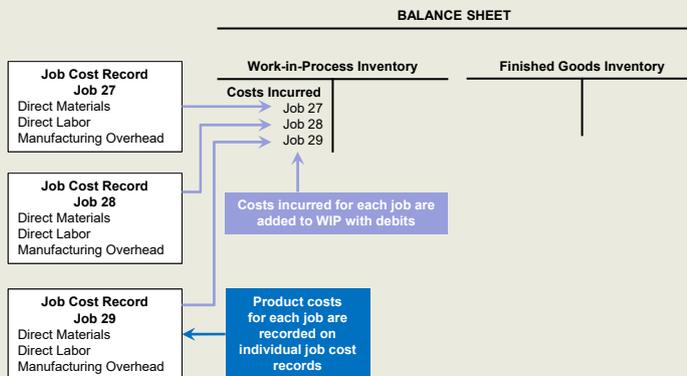
Flow of Product Costs in Job Order Costing

Exhibit 19-2 Flow of Product Costs in Job Order Costing



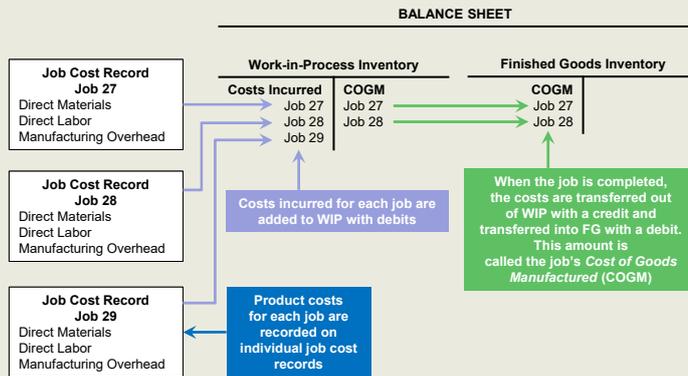
Flow of Product Costs in Job Order Costing

Exhibit 19-2 Flow of Product Costs in Job Order Costing



Flow of Product Costs in Job Order Costing

Exhibit 19-2 Flow of Product Costs in Job Order Costing

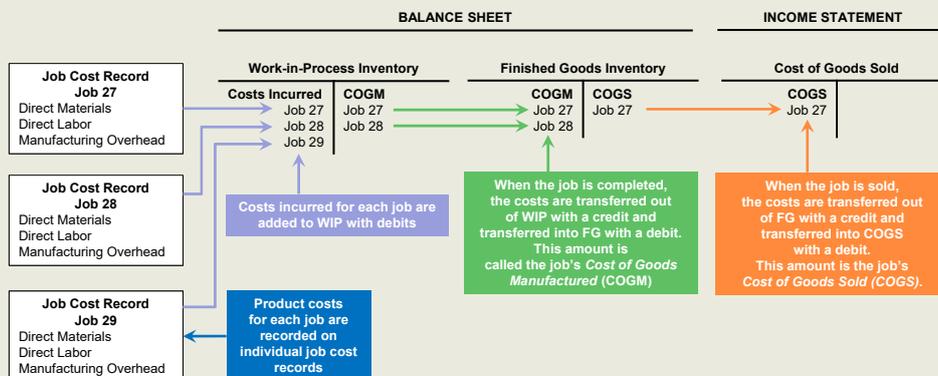


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Flow of Product Costs in Job Order Costing

Exhibit 19-2 Flow of Product Costs in Job Order Costing



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Purchasing Materials

Transaction 1—Materials Purchased: During 2016, Smart Touch purchased raw materials of \$367,000 on account.

Date	Accounts and Explanations	Debit	Credit

$$\text{A} = \text{L} + \text{E}$$

Raw Materials Inventory	
Bal.	70,000

21

Purchasing Materials

Transaction 1—Materials Purchased: During 2016, Smart Touch purchased raw materials of \$367,000 on account.

Date	Accounts and Explanations	Debit	Credit
Trans. 1	Raw Materials Inventory	367,000	
	Accounts Payable		367,000

$$\begin{matrix} \text{A} \uparrow \\ \text{RM} \uparrow \end{matrix} = \begin{matrix} \text{L} \uparrow \\ \text{A/P} \uparrow \end{matrix} + \text{E}$$

Raw Materials Inventory	
Bal.	70,000
Trans. 1	367,000

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Raw Materials Subsidiary Ledger

Exhibit 19-3 | Raw Materials Subsidiary Ledger (Example)

RAW MATERIALS SUBSIDIARY LEDGER										
Item No. <u>B-103</u>			Description: <u>STL Batteries</u>							
Date	Received			Mat. Req. No	Issued			Balance		
	Units	Unit Cost	Total Cost		Units	Unit Cost	Total Cost	Units	Unit Cost	Total Cost
2015										
12-05	200	\$55	\$11,000					200	\$55	\$11,000
12-10				334	50	\$55	\$2,750	150	\$55	\$8,250
2016										
1-14				342	15	\$55	\$825	135	\$55	\$7,425

Materials Requisition

Exhibit 19-4 | Materials Requisition

MATERIALS REQUISITION #342			
Date <u>1-14-16</u>			
Job Number <u>27</u>			
Requested by <u>Hugh Patterson</u>			
Item	Quantity	Unit Cost	Total Cost
B-103 Batteries	15	\$55	\$825

Job Cost Record—Direct Materials Recorded

Exhibit 19-5 Job Cost Record—Direct Materials Recorded

JOB COST RECORD								
Job Number		27						
Customer		Central College Bookstore						
Job Description		15 tablets with accounting e-learning software						
Direct Materials			Direct Labor			Manufacturing Overhead		
Date	Requisition Number	Amount	Date	Labor Time Record Number	Amount	Date	Rate	Amount
1/14	342	\$825						
Cost Summary Direct Materials _____ Direct Labor _____ Manufacturing Overhead _____ Total Cost _____ Unit Cost _____								

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Using Materials

Transaction 2—Materials Used: In 2016, Smart Touch used direct materials costing \$355,000 and indirect materials of \$17,000.

Date	Accounts and Explanations	Debit	Credit

$$A = L + E$$

Raw Materials Inventory	
Bal.	70,000
Trans. 1	367,000

Work-in-Process Inventory	
Bal.	80,000

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Using Materials

Transaction 2—Materials Used: In 2016, Smart Touch used direct materials costing \$355,000 and indirect materials of \$17,000.

Date	Accounts and Explanations	Debit	Credit
Trans. 2	Work-in-Process Inventory (direct materials)	355,000	
	Manufacturing Overhead (indirect materials)	17,000	
	Raw Materials Inventory		372,000

$$\left. \begin{array}{l} A \downarrow \\ RM \downarrow \\ WIP \uparrow \end{array} \right\} = \left[\begin{array}{l} L \\ + \\ E \downarrow \\ MOH \uparrow \end{array} \right]$$



Job Cost Record—Direct Labor Recorded

Exhibit 19-6 | Job Cost Record—Direct Labor Recorded

JOB COST RECORD								
Job Number	27							
Customer	Central College Bookstore							
Job Description	15 tablets with accounting e-learning software							
Direct Materials			Direct Labor			Manufacturing Overhead		
Date	Requisition Number	Amount	Date	Labor Time Record Number	Amount	Date	Rate	Amount
1/14	342	\$825	1/15	236	\$90			
Cost Summary								
Direct Materials			_____					
Direct Labor			_____					
Manufacturing Overhead			_____					
Total Cost			=====					
Unit Cost			=====					

Labor Costs Incurred

Transaction 3—Labor Costs Incurred: During 2016, Smart Touch incurred total labor costs of \$197,000, of which \$169,000 was direct labor and \$28,000 was indirect labor.

Date	Accounts and Explanations	Debit	Credit

$$\frac{A}{\quad} = \left[\frac{L}{\quad} + \frac{E}{\quad} \right]$$

Work-in-Process Inventory	
Bal.	80,000
Trans. 2	355,000

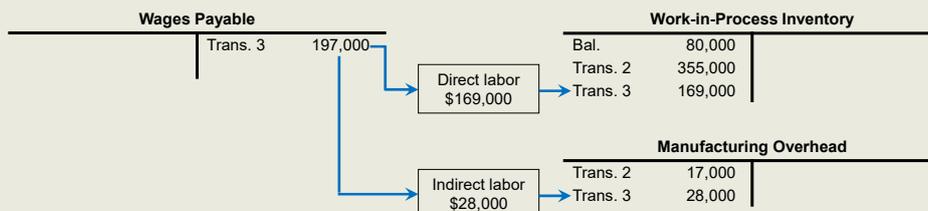
Manufacturing Overhead	
Trans. 2	17,000

Labor Costs Incurred

Transaction 3—Labor Costs Incurred: During 2016, Smart Touch incurred total labor costs of \$197,000, of which \$169,000 was direct labor and \$28,000 was indirect labor.

Date	Accounts and Explanations	Debit	Credit
Trans. 3	Work-in-Process Inventory (direct labor)	169,000	
	Manufacturing Overhead (indirect labor)	28,000	
	Wages Payable		197,000

$$\frac{A \uparrow}{WIP \uparrow} = \left[\frac{L \uparrow}{Wages Pay \uparrow} + \frac{E \downarrow}{MOH \uparrow} \right]$$



>TRY IT!

Record the following journal entries for Smith Company:

6. Purchased materials on account, \$10,000

>TRY IT!

Record the following journal entries for Smith Company:

6. Purchased materials on account, \$10,000

Raw Materials Inventory	10,000	
 Accounts Payable		10,000

>TRY IT!

Record the following journal entries for Smith Company:

- Used \$6,000 in direct materials and \$500 in indirect materials in production.

>TRY IT!

Record the following journal entries for Smith Company:

- Used \$6,000 in direct materials and \$500 in indirect materials in production.

Work in Process Inventory	6,000
Manufacturing Overhead	500
Raw Materials Inventory	6,500

>TRY IT!

Record the following journal entries for Smith Company:

8. Incurred \$8,000 in labor costs, of which 80% was direct labor.

>TRY IT!

Record the following journal entries for Smith Company:

8. Incurred \$8,000 in labor costs, of which 80% was direct labor.

Work in Process Inventory	6,400	
Manufacturing Overhead	1,600	
Wages Payable		8,000

Learning Objective 3



Calculate the predetermined overhead allocation rate and allocate overhead costs

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Actual Overhead Costs Incurred

Transaction 4—Actual Overhead Costs Incurred:

Depreciation on manufacturing plant and equipment, \$20,000.

Date	Accounts and Explanations	Debit	Credit

$$\text{A} \left. \vphantom{\text{A}} \right\} = \left[\text{L} + \text{E} \right]$$

Manufacturing Overhead	
Trans. 2	17,000
Trans. 3	28,000

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Actual Overhead Costs Incurred

Transaction 4—Actual Overhead Costs Incurred:
 Depreciation on manufacturing plant and equipment, \$20,000.

Date	Accounts and Explanations	Debit	Credit
Trans. 4	Manufacturing Overhead	20,000	
	Accumulated Depreciation		20,000

$$\left. \begin{array}{l} \text{A } \downarrow \\ \text{Accum} \\ \text{Depr } \uparrow \end{array} \right\} = \left[\begin{array}{l} \text{L} \\ \text{MOH } \uparrow \end{array} \right] + \left[\begin{array}{l} \text{E } \downarrow \\ \text{MOH } \uparrow \end{array} \right]$$

Manufacturing Overhead	
Trans. 2	17,000
Trans. 3	28,000
Trans. 4	20,000

Actual Overhead Costs Incurred

Transaction 5—Actual Overhead Costs Incurred:
 Plant utilities, \$7,000.

Date	Accounts and Explanations	Debit	Credit

$$\left. \begin{array}{l} \text{A} \end{array} \right\} = \left[\begin{array}{l} \text{L} \\ \text{E} \end{array} \right] + \left[\begin{array}{l} \text{E} \end{array} \right]$$

Manufacturing Overhead	
Trans. 2	17,000
Trans. 3	28,000
Trans. 4	20,000

Actual Overhead Costs Incurred

Transaction 5—Actual Overhead Costs Incurred:
Paid \$7,000 for plant utilities.

Date	Accounts and Explanations	Debit	Credit
Trans. 5	Manufacturing Overhead	7,000	
	Cash		7,000

$$\left. \begin{array}{l} \text{A } \downarrow \\ \text{Cash } \downarrow \end{array} \right\} = \left[\text{L} + \frac{\text{E } \downarrow}{\text{MOH } \uparrow} \right]$$

Manufacturing Overhead	
Trans. 2	17,000
Trans. 3	28,000
Trans. 4	20,000
Trans. 5	7,000

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Actual Overhead Costs Incurred

Transaction 6—Actual Overhead Costs Incurred:
Plant insurance, \$6,000 (previously paid).

Date	Accounts and Explanations	Debit	Credit

$$\left. \begin{array}{l} \text{A} \\ \end{array} \right\} = \left[\text{L} + \text{E} \right]$$

Manufacturing Overhead	
Trans. 2	17,000
Trans. 3	28,000
Trans. 4	20,000
Trans. 5	7,000

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Actual Overhead Costs Incurred

Transaction 6—Actual Overhead Costs Incurred:
 Plant insurance, \$6,000 (previously paid).

Date	Accounts and Explanations	Debit	Credit
Trans. 6	Manufacturing Overhead	6,000	
	Prepaid Insurance		6,000

$$\left. \begin{array}{l} \text{A } \downarrow \\ \text{Prepaid} \\ \text{Ins } \downarrow \end{array} \right\} = \left[\begin{array}{l} \text{L} \\ + \\ \text{E } \downarrow \\ \text{MOH } \uparrow \end{array} \right]$$

Manufacturing Overhead	
Trans. 2	17,000
Trans. 3	28,000
Trans. 4	20,000
Trans. 5	7,000
Trans. 6	6,000

Actual Overhead Costs Incurred

Transaction 7—Actual Overhead Costs Incurred:
 Plant property taxes incurred but not yet paid, \$5,000.

Date	Accounts and Explanations	Debit	Credit

$$\left. \begin{array}{l} \text{A} \\ \text{---} \end{array} \right\} = \left[\begin{array}{l} \text{L} \\ + \\ \text{E} \\ \text{---} \end{array} \right]$$

Manufacturing Overhead	
Trans. 2	17,000
Trans. 3	28,000
Trans. 4	20,000
Trans. 5	7,000
Trans. 6	6,000

Actual Overhead Costs Incurred

Transaction 7—Actual Overhead Costs Incurred:
Plant property taxes incurred but not yet paid, \$5,000.

Date	Accounts and Explanations	Debit	Credit
Trans. 7	Manufacturing Overhead	5,000	
	Property Taxes Payable		5,000

$$\text{A} = \left[\begin{array}{l} \text{L } \uparrow \\ \text{Prop Tax} \\ \text{Pay } \uparrow \end{array} \right] + \left[\begin{array}{l} \text{E } \downarrow \\ \text{MOH } \uparrow \end{array} \right]$$

Manufacturing Overhead	
Trans. 2	17,000
Trans. 3	28,000
Trans. 4	20,000
Trans. 5	7,000
Trans. 6	6,000
Trans. 7	5,000
Bal	83,000

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Steps for Allocating Overhead Costs

1. Calculating the predetermined overhead rate before the period
2. Allocating overhead during the period
3. Adjusting overhead at the end of the period

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Predetermined Overhead Allocation Rate

$$\frac{\text{Total estimated overhead costs}}{\text{Total estimated quantity of the overhead allocation base}}$$

Traditional Cost Drivers

- Direct labor hours (for labor-intensive production environments)
- Direct labor cost (for labor-intensive production environments)
- Machine hours (for machine-intensive production environments)

Predetermined Overhead Allocation Rate

At the end of 2015, Smart Touch estimated that total overhead costs for 2016 would be \$68,000 and direct labor cost would total \$170,000.

Predetermined Overhead Allocation Rate

At the end of 2015, Smart Touch estimated that total overhead costs for 2016 would be \$68,000 and direct labor cost would total \$170,000.

$$\frac{\text{Total estimated overhead costs}}{\text{Total estimated quantity of the overhead allocation base}}$$

$$\frac{\$ 68,000}{\$170,000}$$

$$= 0.40 = 40\%$$

Allocating Overhead

$$\begin{array}{r} \text{Allocated} \\ \text{Manufacturing} \\ \text{Overhead Cost} \end{array} = \begin{array}{r} \text{Predetermined} \\ \text{Overhead} \\ \text{Allocation Rate} \end{array} \times \begin{array}{r} \text{Actual Quantity} \\ \text{of the Allocation} \\ \text{Base Used by} \\ \text{Each Job} \end{array}$$

Allocating Overhead

Smart Touch Learning's total direct labor cost for Job 27 was \$1,250. How much overhead should be allocated to Job 27?

Allocating Overhead

Smart Touch Learning's total direct labor cost for Job 27 was \$1,250. How much overhead should be allocated to Job 27?

$$\begin{aligned}
 \text{Allocated Manufacturing Overhead Cost} &= \text{Predetermined Overhead Allocation Rate} \times \text{Actual Quantity of the Allocation Base Used by Each Job} \\
 &= 40\% \times \$1,250 \\
 &= \$500
 \end{aligned}$$

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Job Cost Record—Completed

Exhibit 19-7 | Job Cost Record, Job 27, Completed

JOB COST RECORD																																																														
Job Number		27																																																												
Customer		Central College Bookstore																																																												
Job Description		15 tablets with accounting e-learning software																																																												
Direct Materials			Direct Labor			Manufacturing Overhead																																																								
Date	Requisition Number	Amount	Date	Labor Time Record Number	Amount	Date	Rate	Amount																																																						
1/14	342	\$825	1/15	236	\$90	1/31	40% of DL Cost	\$500																																																						
1/16	345	\$650	1/15	237	\$450																																																									
1/25	352	\$1,275	1/31	252	\$710																																																									
<table border="0"> <tr> <td colspan="2">Cost Summary</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Direct Materials</td> <td></td> <td>\$ 2,750</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Direct Labor</td> <td></td> <td>\$ 1,250</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Manufacturing Overhead</td> <td></td> <td>\$ 500</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Total Cost</td> <td></td> <td>\$ 4,500</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Unit Cost</td> <td></td> <td>\$ 300</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </table>									Cost Summary									Direct Materials		\$ 2,750							Direct Labor		\$ 1,250							Manufacturing Overhead		\$ 500							Total Cost		\$ 4,500							Unit Cost		\$ 300						
Cost Summary																																																														
Direct Materials		\$ 2,750																																																												
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Total Cost		\$ 4,500																																																												
Unit Cost		\$ 300																																																												
						<table border="0"> <tr> <td>Cost of goods manufactured</td> <td></td> </tr> <tr> <td>Total units produced</td> <td>15 tablets</td> </tr> <tr> <td>\$4,500</td> <td></td> </tr> <tr> <td></td> <td>= \$300 per tablet</td> </tr> </table>			Cost of goods manufactured		Total units produced	15 tablets	\$4,500			= \$300 per tablet																																														
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Total units produced	15 tablets																																																													
\$4,500																																																														
	= \$300 per tablet																																																													

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Overhead Allocation

Transaction 8—Overhead Allocation: Smart Touch's total direct labor cost for 2016 was \$169,000. Overhead was allocated based on direct labor cost.

Date	Accounts and Explanations	Debit	Credit

$$\frac{A}{\quad} = \left[\frac{L}{\quad} + \frac{E}{\quad} \right]$$

Overhead Allocation

Transaction 8—Overhead Allocation: Smart Touch's total direct labor cost for 2016 was \$169,000. Overhead was allocated based on direct labor cost.

Date	Accounts and Explanations	Debit	Credit
Trans. 8	Work-in-Process Inventory	67,600	
	Manufacturing Overhead		67,600

$$\frac{A \uparrow}{WIP \uparrow} = \left[\frac{L}{\quad} + \frac{E \uparrow}{MOH \downarrow} \right]$$

Manufacturing Overhead		Work-in-Process Inventory	
Trans. 2	17,000	Trans. 8	67,600
Trans. 3	28,000	Bal.	80,000
Trans. 4	20,000	Trans. 2	355,000
Trans. 5	7,000	Trans. 3	169,000
Trans. 6	6,000	Trans. 8	67,600
Trans. 7	5,000		
Bal	15,400		

Overhead Allocated
40% × \$169,000

>TRY IT!

Smith Company expected to incur \$10,000 in manufacturing overhead costs and use 4,000 machine hours for the year. Actual manufacturing overhead was \$9,700 and the company used 4,250 machine hours.

>TRY IT!

9. Calculate the predetermined overhead allocation rate using machine hours as the allocation base.

>TRY IT!

9. Calculate the predetermined overhead allocation rate using machine hours as the allocation base.

$$\frac{\$10,000}{4,000 \text{ machine hours}} = \$2.50 \text{ per machine hour}$$

>TRY IT!

10. How much manufacturing overhead was allocated during the year?

>TRY IT!

10. How much manufacturing overhead was allocated during the year?

$$\begin{aligned} &\$2.50 \text{ per machine hour} \times 4,250 \text{ machine hours} \\ &= \$10,625 \end{aligned}$$

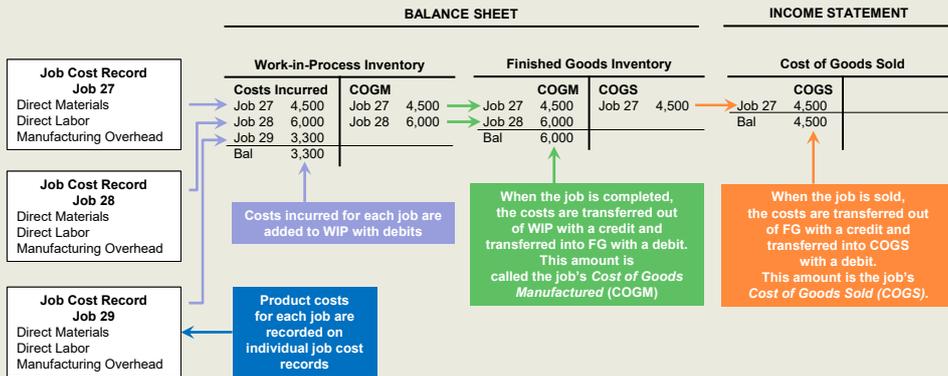
Learning Objective 4

**Record the completion
and sales of finished
goods**



Flow of Product Costs in Job Order Costing

Exhibit 19-8 Flow of Product Costs for Jobs 27, 28, and 29



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Jobs Completed

Transaction 9—Jobs Completed: The \$644,600 Cost of Goods Manufactured is the cost of all jobs Smart Touch completed during 2016.

Date	Accounts and Explanations	Debit	Credit

$$A = L + E$$

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Jobs Completed

Transaction 9—Jobs Completed: The \$644,600 Cost of Goods Manufactured is the cost of all jobs Smart Touch completed during 2016.

Date	Accounts and Explanations	Debit	Credit
Trans. 9	Finished Goods Inventory	644,600	
	Work-in-Process Inventory		644,600

$$\left. \begin{array}{l} \text{A} \uparrow \downarrow \\ \text{FG} \uparrow \\ \text{WIP} \downarrow \end{array} \right\} = \left[\text{L} + \text{E} \right]$$

Work-in-Process Inventory					Finished Goods Inventory	
Bal.	80,000				Bal.	0
Trans. 2	355,000				Trans. 9	644,600
Trans. 3	169,000					
Trans. 8	67,600					
		Trans. 9	644,600	→	Cost of Goods Manufactured	→

Jobs Sold

Transaction 10—Jobs Sold: During 2016, sales on account were \$1,200,000.

Date	Accounts and Explanations	Debit	Credit

$$\left[\text{A} \right] = \left[\text{L} + \text{E} \right]$$

Jobs Sold

Transaction 10—Jobs Sold: During 2016, sales on account were \$1,200,000

Date	Accounts and Explanations	Debit	Credit
Trans. 10	Accounts Receivable	1,200,000	
	Sales Revenue		1,200,000

$$\left. \begin{array}{l} \text{A } \uparrow \\ \text{A/R } \uparrow \end{array} \right\} = \left[\text{L} + \begin{array}{l} \text{E } \uparrow \\ \text{Sales } \uparrow \end{array} \right]$$

Cost of Jobs Sold

Transaction 11—Cost of Jobs Sold: The cost of all jobs that Smart Touch sold during 2016 was \$584,600.

Date	Accounts and Explanations	Debit	Credit

$$\left. \begin{array}{l} \text{A} \\ \text{ } \end{array} \right\} = \left[\text{L} + \text{E} \right]$$

Cost of Jobs Sold

Transaction 11—Cost of Jobs Sold: The cost of all jobs that Smart Touch sold during 2016 was \$584,600.

Date	Accounts and Explanations	Debit	Credit
Trans. 11	Cost of Goods Sold	584,600	
	Finished Goods Inventory		584,600

$$\left. \begin{array}{l} \text{A} \downarrow \\ \text{FG} \downarrow \end{array} \right\} = \left[\text{L} + \frac{\text{E} \downarrow}{\text{COGS} \uparrow} \right]$$

Finished Goods Inventory			Cost of Goods Sold	
Bal.	0		Trans. 11	584,600
Trans. 9	644,600	Trans. 11	584,600	

Cost of Goods Sold

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Summary of the Completion and Sale of Jobs

BALANCE SHEET

INCOME STATEMENT

Work-in-Process Inventory			Finished Goods Inventory			Cost of Goods Sold	
Costs Incurred	COGM		COGM	COGS		COGS	
Bal.	80,000		Bal.	0		Trans. 11	584,600
Trans. 2	355,000	Trans. 9	644,600	Trans. 9	644,600	Trans. 11	584,600
Trans. 3	169,000		Bal.	60,000			
Trans. 8	67,600						
Bal.	27,000						

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>TRY IT!

The following information pertains to Smith Company, which you worked with previously in this chapter:

11. Smith Company completed jobs that cost \$25,000 to manufacture. Record the journal entry.

>TRY IT!

The following information pertains to Smith Company, which you worked with previously in this chapter:

11. Smith Company completed jobs that cost \$25,000 to manufacture. Record the journal entry.

Finished Goods Inventory	25,000
Work-in-Process Inventory	25,000

>TRY IT!

12. Smith Company sold jobs to customers on account for \$52,000 that cost \$22,000 to manufacture. Record the journal entries.

>TRY IT!

12. Smith Company sold jobs to customers on account for \$52,000 that cost \$22,000 to manufacture. Record the journal entries.

Accounts Receivable	52,000	
 Sales Revenues		52,000
Cost of Goods Sold	22,000	
 Finished Goods Inventory		22,000