

ACCT2121**Ch. 3 Job Costing****Solutions to Exercise 3-10 & problem 3-18****Exercise 3-10**

1. a.	Raw Materials Inventory.....	210,000	
	Accounts Payable.....		210,000
b.	Work in Process.....	152,000	
	Manufacturing Overhead	38,000	
	Raw Materials Inventory.....		190,000
c.	Work in Process.....	49,000	
	Manufacturing Overhead	21,000	
	Salaries and Wages Payable		70,000
d.	Manufacturing Overhead	105,000	
	Accumulated Depreciation		105,000
e.	Manufacturing Overhead	130,000	
	Accounts Payable.....		130,000
f.	Work in Process.....	300,000	
	Manufacturing Overhead		300,000
	75,000 machine-hours × \$4 per machine-hour = \$300,000.		
g.	Finished Goods	510,000	
	Work in Process.....		510,000
h.	Cost of Goods Sold	450,000	
	Finished Goods		450,000
	Accounts Receivable	675,000	
	Sales.....		675,000
	\$450,000 × 1.5 = \$675,000		

2.	Manufacturing Overhead		Work in Process		
(b)	38,000	(f) 300,000	Bal.	35,000	(g) 510,000
(c)	21,000		(b)	152,000	
(d)	105,000		(c)	49,000	
(e)	130,000		(f)	300,000	
		6,000	Bal.	26,000	
		(Overapplied overhead)			

Problem 3-18

1. a.	Raw Materials	160,000	
	Accounts Payable		160,000
b.	Work in Process	120,000	
	Manufacturing Overhead.....	20,000	
	Raw Materials		140,000
c.	Work in Process	90,000	
	Manufacturing Overhead.....	60,000	
	Sales Commissions Expense	20,000	
	Salaries Expense	50,000	
	Salaries and Wages Payable.....		220,000
d.	Manufacturing Overhead.....	13,000	
	Insurance Expense	5,000	
	Prepaid Insurance		18,000
e.	Manufacturing Overhead.....	10,000	
	Accounts Payable		10,000
f.	Advertising Expense	15,000	
	Accounts Payable		15,000
g.	Manufacturing Overhead.....	20,000	
	Depreciation Expense	5,000	
	Accumulated Depreciation.....		25,000
h.	Work in Process	110,000	
	Manufacturing Overhead.....		110,000

$$\frac{\text{Estimated total manufacturing overhead cost}}{\text{Estimated total amount of the allocation base}} = \frac{\text{£99,000}}{45,000 \text{ MHs}} = \text{£2.20 per MH}$$
 50,000 actual MHs × £2.20 per MH = £110,000 overhead applied.

i.	Finished Goods	310,000	
	Work in Process.....		310,000
j.	Accounts Receivable	498,000	
	Sales.....		498,000
	Cost of Goods Sold	308,000	
	Finished Goods		308,000

2.

Raw Materials			
Bal.	10,000	(b)	140,000
(a)	160,000		
Bal.	30,000		

Work in Process			
Bal.	4,000	(i)	310,000
(b)	120,000		
(c)	90,000		
(h)	110,000		
Bal.	14,000		

Finished Goods			
Bal.	8,000	(j)	308,000
(i)	310,000		
Bal.	10,000		

Manufacturing Overhead			
(b)	20,000	(h)	110,000
(c)	60,000		
(d)	13,000		
(e)	10,000		
(g)	20,000		
Bal.	13,000		

Cost of Goods Sold			
(j)	308,000		

3. Manufacturing overhead is underapplied by £13,000 for the year. The entry to close this balance to Cost of Goods Sold would be:

Cost of Goods Sold.....	13,000	
Manufacturing Overhead		13,000

4.

Sovereign Millwork, Ltd.
Income Statement
For the Year Ended June 30

Sales.....		£498,000
Cost of goods sold (£308,000 + £13,000).....		<u>321,000</u>
Gross margin		177,000
Selling and administrative expenses:		
Sales commissions	£20,000	
Administrative salaries.....	50,000	
Insurance expense.....	5,000	
Advertising expenses	15,000	
Depreciation expense.....	<u>5,000</u>	<u>95,000</u>
Net operating income.....		<u>£ 82,000</u>