1. Lucy Sportswear manufactures a specialty line of T-shirts. The company uses a job-order costing system. During March, the following costs were incurred on Job ICU2: direct materials $13,700 and direct labor $4,800. In addition, selling and shipping costs of $7,000 were incurred on the job. Manufacturing overhead was applied a the rate of $25 per machine-hour and Job ICU2 required 800 machine-hours. If Job ICU2 consisted of 7,000 shirts, the Cost of Goods Sold per shirt was:

A) $6.50
C) $5.70
B) $6.00
D) $5.50

Use the following to answer questions 2-4:

The following data are for Potras Company:

	Beginning	Ending
Finished goods inventory	$30,000	$40,000
Work in process inventory	$20,000	$13,000
Raw materials inventory	$21,000	$26,000
Purchases of raw materials	$71,000	
Factory depreciation	$ 5,000	
Other factory costs	$10,000	
Direct labor	$27,000	
Indirect labor	$ 6,000	
Selling expense	$12,000	
Over- or underapplied overhead	-0-	

2. The cost of raw materials used in production was:

A) $26,000.
C) $76,000.
B) $71,000.
D) $66,000.

3. The cost of goods manufactured was:

A) $114,000.
C) $121,000.
B) $133,000.
D) $138,000.

4. The cost of goods sold was:

A) $131,000.
C) $81,000.
B) $91,000.
D) $111,000.

5. In a job order cost system, the journal entry to record the application of overhead cost to jobs would include:

A) a credit to the Manufacturing Overhead account.
C) a debit to Cost of Goods Sold.
B) a credit to the Work in Process inventory account.
D) a debit to the Manufacturing Overhead account.

6. Freeman Company uses a predetermined overhead rate based on direct labor hours to apply manufacturing overhead to jobs. At the beginning of the year, the company estimated manufacturing overhead would be $150,000 and direct labor hours would be 10,000. The actual figures for the year were $186,000 for manufacturing overhead and 12,000 direct labor hours. The cost records for the year will show:

A) overapplied overhead of $30,000.
C) underapplied overhead of $6,000.
B) underapplied overhead of $30,000.
D) overapplied overhead of $6,000.

7. Dotsero Technology, Inc., has a job-order costing system. The company uses predetermined overhead rates in applying manufacturing overhead cost to individual jobs. The predetermined overhead rate in Department A is based on machine-hours, and the rate in Department B is based on direct materials cost. At the beginning of the most recent year, the company's management made the following estimates for the year:

	Department	
	A	B
Machine-hours	70,000	19,000
Direct labor-hours	30,000	60,000
Direct materials cost	$195,000	$282,000
Direct labor cost	$260,000	$520,000
Manufacturing overhead cost	$420,000	$705,000

Job 243 entered into production an April 1 and was completed on May 12. The company's cost records show the following information about the job:

	Department	
	A	B
Machine-hours	250	60
Direct labor-hours	70	120
Direct materials cost	$840	$1,100
Direct labor cost	$610	$880

At the end of the year, the records of Dotsero showed the following actual cost and operating data for all jobs worked on during the year:

	Department	
	A	B
Machine-hours	61,000	20,000
Direct labor-hours	28,000	66,000
Direct materials cost	$156,000	$284,000
Manufacturing overhead cost	$385,000	$705,000

Required: (Use the following blank page for your answer)

(a.) Compute the predetermined overhead rates for Department A and Department B.
(b.) Compute the total overhead cost applied to Job 243.
(c.) Compute the amount of underapplied or overapplied overhead in each department at the end of the current year.

Answer Key -- Quiz Chapter 3 Fall 1999

1. D $5.50
   Format: Multiple Choice
   Difficulty: Medium
   Type: *(None)*
   Origin: Chapter 3, Systems Design: Job-Order 37

2. D $66,000.
   Format: Multiple Choice
   Difficulty: Medium
   Type: *(None)*
   Origin: Chapter 3, Systems Design: Job-Order 74
   Refer To: Ref. 3-8

3. C $121,000.
   Format: Multiple Choice
   Difficulty: Medium
   Type: *(None)*
   Origin: Chapter 3, Systems Design: Job-Order 75
   Refer To: Ref. 3-8

4. D $111,000.
   Format: Multiple Choice
   Difficulty: Medium
   Type: *(None)*
   Origin: Chapter 3, Systems Design: Job-Order 76
   Refer To: Ref. 3-8

5. A a credit to the Manufacturing Overhead account.
   Format: Multiple Choice
   Difficulty: Medium
   Type: *(None)*
   Origin: Chapter 3, Systems Design: Job-Order 20

6. C underapplied overhead of $6,000.
   Format: Multiple Choice
   Difficulty: Medium
   Type: *(None)*
   Origin: Chapter 3, Systems Design: Job-Order 27

7. (a.) Department A predetermined overhead rate:
   Estimated overhead cost/Estimated machine-hours = $420,000/70,000 = $6.00
   Department B predetermined overhead rate:
   stimated overhead cost/Estimated direct materials cost = $705,000/$282,000 = 250% of direct materials cost

   (b.) Overhead applied to Job 243:

Department A: 250 x $6.00 =	$1,500
Department B: $1,100 x 2.5 =	$2,750
	$4,250
	aaaaa

   (c.)

	Department A	Department B
Manufacturing overhead incurred	$385,000	$705,000
Manufacturing overhead applied:		
61,000 X $6.00 =	366,000	
$284,000 X 250% =		710,000
Underapplied (overapplied) overhead	$ 19,000	$ (5,000)
	aaaaaa	aaaaaa

   Format: Essay
   Difficulty: Medium
   Type: *(None)*
   Origin: Chapter 3, Systems Design: Job-Order 95