Ch. 3 Practice Quiz

Carter Corporation applies manufacturing overhead on the basis of machine-hours. At the beginning of the most recent year, the company based its predetermined overhead rate on total estimated overhead of $135,850. Actual manufacturing overhead for the year amounted to $145,000 and actual machine-hours were 5,660. The company's predetermined overhead rate for the year was $24.70 per machine-hour.

87. The predetermined overhead rate was based on how many estimated machine-hours?
   A. 5,870
   B. 5,500
   C. 6,081
   D. 5,660

88. The applied manufacturing overhead for the year was closest to:
   A. $135,850
   B. $149,218
   C. $143,869
   D. $139,802

89. The overhead for the year was:
   A. $5,198 overapplied
   B. $3,952 underapplied
   C. $3,952 overapplied
   D. $5,198 underapplied
Babb Company is a manufacturing firm that uses job-order costing. The company’s inventory balances were as follows at the beginning and end of the year:

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials.......</td>
<td>$11,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>Work in process.....</td>
<td>$32,000</td>
<td>$14,000</td>
</tr>
<tr>
<td>Finished goods.......</td>
<td>$108,000</td>
<td>$123,000</td>
</tr>
</tbody>
</table>

The company applies overhead to jobs using a predetermined overhead rate based on machine-hours. At the beginning of the year, the company estimated that it would work 17,000 machine-hours and incur $272,000 in manufacturing overhead cost. The following transactions were recorded for the year:

- Raw materials were purchased, $416,000.
- Raw materials were requisitioned for use in production, $412,000 ($376,000 direct and $36,000 indirect).
- The following employee costs were incurred: direct labor, $330,000; indirect labor, $69,000; and administrative salaries, $157,000.
- Selling costs, $113,000.
- Factory utility costs, $29,000.
- Depreciation for the year was $121,000 of which $114,000 is related to factory operations and $7,000 is related to selling, general, and administrative activities.
- Manufacturing overhead was applied to jobs. The actual level of activity for the year was 15,000 machine-hours.
- Sales for the year totaled $1,282,000.

Required:

a. Prepare a schedule of cost of goods manufactured in good form.
b. Was the overhead underapplied or overapplied? By how much?
c. Prepare an income statement for the year in good form. The company closes any underapplied or overapplied manufacturing overhead to Cost of Goods Sold.
Shapiro Corporation has provided the following data for the most recent month:

<table>
<thead>
<tr>
<th>Account</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials, beginning balance</td>
<td>$13,000</td>
</tr>
<tr>
<td>Work in process, beginning balance</td>
<td>$29,000</td>
</tr>
<tr>
<td>Finished Goods, beginning balance</td>
<td>$50,000</td>
</tr>
</tbody>
</table>

Transactions:

1. Raw materials purchases
2. Raw materials used in production
3. Direct labor
4. Manufacturing overhead costs incurred
5. Manufacturing overhead applied
6. Cost of units completed and transferred from Work in Process to Finished Goods
7. Any overapplied or underapplied manufacturing overhead is closed to Cost of Goods Sold
8. Finished goods are sold

Required:
