

ABC Company does job order costing using a predetermined overhead application rate equal to 200% of direct labour costs. The following transactions happened for March of 2000.

1. Purchased, on account, \$110,000 of raw materials.
2. Paid factory wages of \$70,000
3. Paid other factory overhead costs of \$19,500
4. Accumulated the following material requisitions:

Job 106	22,000
Job 107	9,000
Job 108	20,000
Job 109	25,000
Job 110	<u>3,000</u>
Total Direct Materials	79,000
Indirect Materials	<u>11,000</u>
Total Materials	<u>90,000</u>

5. Accumulated the following labour time tickets:

Job 106	7,000
Job 107	15,000
Job 108	19,000
Job 109	23,000
Job 110	<u>1,000</u>
Total Direct Labour	65,000
Indirect Labour	<u>5,000</u>
Total Labour	<u>70,000</u>

6. Finished Jobs 106, 108 and 109, applied the overhead and transferred the jobs to finished goods.
7. Sold jobs 106 and 108 on account for \$230,000
8. Incurred overhead costs as follows:

Amortization of factory building	38,000
Amortization of factory equipment	30,000
Expired factory insurance	8,000
Accrued property tax payable	19,000
9. Applied overhead to Jobs 107 and 110
10. Cleared Factory Overhead to Cost of Goods Sold

Required:

1. Create journal entries for the above transactions.
2. Post the journal entries to the appropriate general ledger cards.
3. Prepare Job Cost Sheets for each job.
4. Prepare a Subledger Listing of Jobs to justify the amounts in Goods in Process Inventory, Finished Goods Inventory and Cost of Goods Sold.

Working Paper:

	ACCOUNT	PUZZLE	DEBIT	CREDIT
1.				
	Explain:			
2.				
	Explain:			
3.				
	Explain:			
4.				
	Explain:			
5.				
	Explain:			
6a.				
	Explain:			
6b.				
	Explain:			
7.				
	Explain			

8.				
	Explain:			
9.				
	Explain:			
10.				
	Explain:			

General Ledger Accounts:

Raw Material Inventory				
Date	Explanation	Debit	Credit	Balance

Factory Payroll				
Date	Explanation	Debit	Credit	Balance

Factory Overhead				
Date	Explanation	Debit	Credit	Balance

Goods in Process Inventory				
Date	Explanation	Debit	Credit	Balance

Finished Goods Inventory				
Date	Explanation	Debit	Credit	Balance

Cost of Goods Sold				
Date	Explanation	Debit	Credit	Balance

Job Cost Sheets:

Job Number: 106	Status:
Direct Material	
Direct Labour	
Factory Overhead	
Total Cost	

Job Number: 107	Status:
Direct Material	
Direct Labour	
Factory Overhead	
Total Cost	

Job Number: 108	Status:
Direct Material	
Direct Labour	
Factory Overhead	
Total Cost	

Job Number: 109	Status:
Direct Material	
Direct Labour	
Factory Overhead	
Total Cost	

Job Number: 110	Status:
Direct Material	
Direct Labour	
Factory Overhead	
Total Cost	

Subledger Listing of Jobs:

Jobs in Goods in Process Inventory	
Total	
Goods in Process Account	
Difference	

Jobs in Finished Goods Inventory	
Total	
Finished Goods Account	
Difference	

Jobs in Cost of Goods Sold	
Sub-Total	
(Under or Over Applied)	
Total	
Cost of Goods Sold Account	
Difference	

Answer:

	ACCOUNT	PUZZLE	DEBIT	CREDIT
1.	Raw Material Inventory	Asset	110,000	
	Accounts Payable	Liability		110,000
	Purchase of Raw Materials			
2.	Factory Payroll	Temp	70,000	
	Cash in Bank	Asset		70,000
	Payment of Factory Wages			
3.	Factory Overhead	Temp	19,500	
	Cash in Bank	Asset		19,500
	Payment of other Factory Costs			
4.	Goods In Process Inventory	Asset	79,000	
	Factory Overhead	Temp	11,000	
	Raw Material Inventory	Asset		90,000
	To Record Direct and Indirect Materials			
5.	Goods In Process Inventory	Asset	65,000	
	Factory Overhead	Temp	5,000	
	Factory Payroll	Temp		70,000
	To Record Direct and Indirect Labour			
6a.	Goods In Process Inventory	Asset	98,000	
	Factory Overhead	Temp		98,000
	Allocate Factory Overhead to Jobs 106, 108 and 109			
6b.	Finished Goods Inventory	Asset	214,000	
	Goods In Process Inventory	Asset		214,000
	Transfer Jobs 106, 108 and 109 to Finished Goods Inventory			
7.	Accounts Receivable	Asset	230,000	
	Sales	Revenue		230,000
	Cost of Goods Sold	Expense	120,000	
	Finished Goods Inventory	Asset		120,000
	Sold Jobs 106 and 108			

8.	Factory Overhead	Temp	95,000	
	Acc. Amort.-Factory Bldg.	Asset		38,000
	Acc. Amort.-Factory Equip.	Asset		30,000
	Prepaid Factory Insurance	Asset		8,000
	Property Tax Payable	Liability		19,000
	Period End Adjustments for Factory Costs.			
9.	Goods In Process Inventory	Asset	32,000	
	Factory Overhead	Temp		32,000
	Allocate Factory Overhead to Jobs 107 and 110			
10.	Cost of Goods Sold	Expense	500	
	Factory Overhead	Temp		500
	Clear Underapplied Factory Overhead			

General Ledger Accounts:

Raw Material Inventory				
Date	Explanation	Debit	Credit	Balance
1.	Purchase	110,000		110,000
4.	Total Materials Requisitioned		90,000	20,000

Factory Payroll				
Date	Explanation	Debit	Credit	Balance
2.	Paid Wages	70,000		70,000
5.	Total Time Tickets		70,000	0

Factory Overhead				
Date	Explanation	Debit	Credit	Balance
3.	Paid Other Factory Costs	19,500		19,500
4.	Indirect Materials Requisitioned	11,000		30,500
5.	Indirect Labour Time Tickets	5,000		35,500
6a.	Overhead Allocation 106, 108, 109		98,000	-62,500
8.	Period End Factory Costs	95,000		32,500
9.	Overhead Allocation 107, 110		32,000	500
10.	Clear Factory Overhead		500	0

Goods in Process Inventory				
Date	Explanation	Debit	Credit	Balance
4.	Direct Materials Requisitioned	79,000		79,000
5.	Direct Labour Time Tickets	65,000		144,000
6a.	Overhead Allocation 106, 108, 109	98,000		242,000
6b.	Complete Jobs 106, 108, 109		214,000	28,000
9.	Overhead Allocation 107, 110	32,000		60,000

Finished Goods Inventory				
Date	Explanation	Debit	Credit	Balance
6b.	Complete Jobs 106, 108, 109	214,000		214,000
7.	Sold Jobs 106, 108		120,000	94,000

Cost of Goods Sold				
Date	Explanation	Debit	Credit	Balance
7.	Sold Jobs 106, 108	120,000		120,000
10.	Clear Factory Overhead	500		120,500

Job Cost Sheets:

Job Number: 106	Status: GIP – FG - CGS
Direct Material	22,000
Direct Labour	7,000
Factory Overhead	14,000
Total Cost	43,000

Job Number: 107	Status: GIP
Direct Material	9,000
Direct Labour	15,000
Factory Overhead	30,000
Total Cost	54,000

Job Number: 108	Status: GIP – FG - CGS
Direct Material	20,000
Direct Labour	19,000
Factory Overhead	38,000
Total Cost	77,000

Job Number: 109	Status: GIP - FG
Direct Material	25,000
Direct Labour	23,000
Factory Overhead	46,000
Total Cost	94,000

Job Number: 110	Status: GIP
Direct Material	3,000
Direct Labour	1,000
Factory Overhead	2,000
Total Cost	6,000

Subledger Listing of Jobs:

Jobs in Goods in Process Inventory	
Job 107	54,000
Job 110	6,000
Total	60,000
Goods in Process Account	60,000
Difference	0

Jobs in Finished Goods Inventory	
Job 109	94,000
Total	94,000
Finished Goods Account	94,000
Difference	0

Jobs in Cost of Goods Sold	
Job 106	43,000
Job 108	77,000
Sub-Total	120,000
Underapplied Overhead	500
Total	120,500
Cost of Goods Sold Account	120,500
Difference	0