

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 \$84,000
3. Paid other factory overhead costs of \$10,000
4. Accumulated the following material requisitions:

Job 131	15,000
Job 132	15,000
Job 133	20,000
Job 134	26,000
Job 135	<u>5,000</u>
Total Direct Materials	81,000
Indirect Materials	<u>11,000</u>
Total Materials	<u>92,000</u>

5. Accumulated the following labour time tickets:

Job 131	9,000
Job 132	13,000
Job 133	19,000
Job 134	25,000
Job 135	<u>3,000</u>
Total Direct Labour	69,000
Indirect Labour	<u>15,000</u>
Total Labour	<u>84,000</u>

6. Finished Jobs 131, 133 and 134, applied the overhead and transferred the jobs to finished goods.
7. Sold jobs 131 and 133 on account for \$250,000
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	20,000
9. Applied overhead to Jobs 132 and 135
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:	Status:
Direct Material	
Direct Labour	
Factory Overhead	
Total Cost	

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

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

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

Job Number:	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	84,000	
	Cash in Bank	Asset		84,000
	Payment of Factory Wages			
3.	Factory Overhead	Temp	10,000	
	Cash in Bank	Asset		10,000
	Payment of other Factory Costs			
4.	Goods In Process Inventory	Asset	81,000	
	Factory Overhead	Temp	11,000	
	Raw Material Inventory	Asset		92,000
	To Record Direct and Indirect Materials			
5.	Goods In Process Inventory	Asset	69,000	
	Factory Overhead	Temp	15,000	
	Factory Payroll	Temp		84,000
	To Record Direct and Indirect Labour			
6a.	Goods In Process Inventory	Asset	106,000	
	Factory Overhead	Temp		106,000
	Allocate Factory Overhead to Jobs 131, 133 and 134			
6b.	Finished Goods Inventory	Asset	220,000	
	Goods In Process Inventory	Asset		220,000
	Transfer Jobs 131, 133 and 134 to Finished Goods Inventory			
7.	Accounts Receivable	Asset	250,000	
	Sales	Revenue		250,000
	Cost of Goods Sold	Expense	119,000	
	Finished Goods Inventory	Asset		119,000
	Sold Jobs 131 and 133			

8.	Factory Overhead	Temp	96,000	
	Acc. Amort.-Factory Bldg.	Asset		38,000
	Acc. Amort.-Factory Equip.	Asset		30,000
	Prepaid Factory Insurance	Asset		8,000
	Property Tax Payable	Liability		20,000
	Period End Adjustments for Factory Costs.			
9.	Goods In Process Inventory	Asset	32,000	
	Factory Overhead	Temp		32,000
	Allocate Factory Overhead to Jobs 132 and 135			
10.	Factory Overhead	Expense	6,000	
	Cost of Goods Sold	Temp		6,000
	Clear Overapplied Factory Overhead			

General Ledger Accounts:

Raw Material Inventory				
Date	Explanation	Debit	Credit	Balance
1.	Purchase	110,000		110,000
4.	Total Materials Requisitioned		92,000	18,000

Factory Payroll				
Date	Explanation	Debit	Credit	Balance
2.	Paid Wages	84,000		84,000
5.	Total Time Tickets		84,000	0

Factory Overhead				
Date	Explanation	Debit	Credit	Balance
3.	Paid Other Factory Costs	10,000		10,000
4.	Indirect Materials Requisitioned	11,000		21,000
5.	Indirect Labour Time Tickets	15,000		36,000
6a.	Overhead Allocation 131, 133, 134		106,000	-70,000
8.	Period End Factory Costs	96,000		26,000
9.	Overhead Allocation 132, 135		32,000	-6,000
10.	Clear Factory Overhead	6,000		0

Goods in Process Inventory				
Date	Explanation	Debit	Credit	Balance
4.	Direct Materials Requisitioned	81,000		81,000
5.	Direct Labour Time Tickets	69,000		150,000
6a.	Overhead Allocation 131, 133, 134	106,000		256,000
6b.	Complete Jobs 131, 133, 134		220,000	36,000
9.	Overhead Allocation 132, 135	32,000		68,000

Finished Goods Inventory				
Date	Explanation	Debit	Credit	Balance
6b.	Complete Jobs 131, 133, 134	220,000		220,000
7.	Sold Jobs 131, 133		119,000	101,000

Cost of Goods Sold				
Date	Explanation	Debit	Credit	Balance
7.	Sold Jobs 131, 133	119,000		119,000
10.	Clear Factory Overhead		6,000	113,000

Job Cost Sheets:

Job Number: 131	Status: GIP – FG - CGS
Direct Material	15,000
Direct Labour	9,000
Factory Overhead	18,000
Total Cost	42,000

Job Number: 132	Status: GIP
Direct Material	15,000
Direct Labour	13,000
Factory Overhead	26,000
Total Cost	54,000

Job Number: 133	Status: GIP – FG - CGS
Direct Material	20,000
Direct Labour	19,000
Factory Overhead	38,000
Total Cost	77,000

Job Number: 134	Status: GIP – FG
Direct Material	26,000
Direct Labour	25,000
Factory Overhead	50,000
Total Cost	101,000

Job Number: 135	Status: GIP
Direct Material	5,000
Direct Labour	3,000
Factory Overhead	6,000
Total Cost	14,000

Subledger Listing of Jobs:

Jobs in Goods in Process Inventory	
Job 132	54,000
Job 135	14,000
Total	68,000
Goods in Process Account	68,000
Difference	0

Jobs in Finished Goods Inventory	
Job 134	101,000
Total	101,000
Finished Goods Account	101,000
Difference	0

Jobs in Cost of Goods Sold	
Job 131	42,000
Job 133	77,000
Sub-Total	119,000
Overapplied Overhead	-6,000
Total	113,000
Cost of Goods Sold Account	113,000
Difference	0