

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, \$60,000 of raw materials.
2. Paid factory wages of \$40,000
3. Paid other factory overhead costs of \$7,000
4. Accumulated the following material requisitions:

Job 50	10,000
Job 51	4,000
Job 52	9,000
Job 53	10,000
Job 54	<u>8,000</u>
Total Direct Materials	41,000
Indirect Materials	<u>9,000</u>
Total Materials	<u>50,000</u>

5. Accumulated the following labour time tickets:

Job 50	9,000
Job 51	4,000
Job 52	9,000
Job 53	7,000
Job 54	<u>1,000</u>
Total Direct Labour	30,000
Indirect Labour	<u>10,000</u>
Total Labour	<u>40,000</u>

6. Finished Jobs 50, 52 and 53, applied the overhead and transferred the jobs to finished goods.
7. Sold jobs 50 and 53 on account for \$100,000
8. Incurred overhead costs as follows:

Amortization of factory building	14,000
Amortization of factory equipment	15,000
Expired factory insurance	3,000
Accrued property tax payable	4,000

9. Applied overhead to Jobs 51 and 54
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	60,000	
	Accounts Payable	Liability		60,000
	Purchase of Raw Materials			
2.	Factory Payroll	Temp	40,000	
	Cash in Bank	Asset		40,000
	Payment of Factory Wages			
3.	Factory Overhead	Temp	7,000	
	Cash in Bank	Asset		7,000
	Payment of other Factory Costs			
4.	Goods In Process Inventory	Asset	41,000	
	Factory Overhead	Temp	9,000	
	Raw Material Inventory	Asset		50,000
	To Record Direct and Indirect Materials			
5.	Goods In Process Inventory	Asset	30,000	
	Factory Overhead	Temp	10,000	
	Factory Payroll	Temp		40,000
	To Record Direct and Indirect Labour			
6a.	Goods In Process Inventory	Asset	50,000	
	Factory Overhead	Temp		50,000
	Allocate Factory Overhead to Jobs 50, 52 and 53			
6b.	Finished Goods Inventory	Asset	104,000	
	Goods In Process Inventory	Asset		104,000
	Transfer Jobs 50, 52 and 53 to Finished Goods Inventory			
7.	Accounts Receivable	Asset	100,000	
	Sales	Revenue		100,000
	Cost of Goods Sold	Expense	68,000	
	Finished Goods Inventory	Asset		68,000
	Sold Jobs 50 and 53			

8.	Factory Overhead	Temp	36,000	
	Acc. Amort.-Factory Bldg.	Asset		14,000
	Acc. Amort.-Factory Equip.	Asset		15,000
	Prepaid Factory Insurance	Asset		3,000
	Property Tax Payable	Liability		4,000
	Period End Adjustments for Factory Costs.			
9.	Goods In Process Inventory	Asset	10,000	
	Factory Overhead	Temp		10,000
	Allocate Factory Overhead to Jobs 51 and 54			
10.	Cost of Goods Sold	Expense	2,000	
	Factory Overhead	Temp		2,000
	Clear Overapplied Factory Overhead			

General Ledger Accounts:

Raw Material Inventory				
Date	Explanation	Debit	Credit	Balance
1.	Purchase	60,000		60,000
4.	Total Materials Requisitioned		50,000	10,000

Factory Payroll				
Date	Explanation	Debit	Credit	Balance
2.	Paid Wages	40,000		40,000
5.	Total Time Tickets		40,000	0

Factory Overhead				
Date	Explanation	Debit	Credit	Balance
3.	Paid Other Factory Costs	7,000		7,000
4.	Indirect Materials Requisitioned	9,000		16,000
5.	Indirect Labour Time Tickets	10,000		26,000
6a.	Overhead Allocation 50, 52, 53		50,000	-24,000
8.	Period End Factory Costs	36,000		12,000
9.	Overhead Allocation 51, 54		10,000	2,000
10.	Clear Factory Overhead		2,000	0

Goods in Process Inventory				
Date	Explanation	Debit	Credit	Balance
4.	Direct Materials Requisitioned	41,000		41,000
5.	Direct Labour Time Tickets	30,000		71,000
6a.	Overhead Allocation 50, 52, 53	50,000		121,000
6b.	Complete Jobs 50, 52, 53		104,000	17,000
9.	Overhead Allocation 51, 54	10,000		27,000

Finished Goods Inventory				
Date	Explanation	Debit	Credit	Balance
6b.	Complete Jobs 50, 52, 53	104,000		104,000
7.	Sold Jobs 50, 53		68,000	36,000

Cost of Goods Sold				
Date	Explanation	Debit	Credit	Balance
7.	Sold Jobs 50, 53	68,000		68,000
10.	Clear Factory Overhead	2,000		70,000

Job Cost Sheets:

Job Number: 50	Status: GIP – FG - CGS
Direct Material	10,000
Direct Labour	9,000
Factory Overhead	18,000
Total Cost	37,000

Job Number: 51	Status: GIP
Direct Material	4,000
Direct Labour	4,000
Factory Overhead	8,000
Total Cost	16,000

Job Number: 52	Status: GIP – FG - CGS
Direct Material	9,000
Direct Labour	9,000
Factory Overhead	18,000
Total Cost	36,000

Job Number: 53	Status: GIP - FG
Direct Material	10,000
Direct Labour	7,000
Factory Overhead	14,000
Total Cost	31,000

Job Number: 54	Status: GIP
Direct Material	8,000
Direct Labour	1,000
Factory Overhead	2,000
Total Cost	11,000

Subledger Listing of Jobs:

Jobs in Goods in Process Inventory	
Job 51	16,000
Job 54	11,000
Total	27,000
Goods in Process Account	27,000
Difference	0

Jobs in Finished Goods Inventory	
Job 52	36,000
Total	36,000
Finished Goods Account	36,000
Difference	0

Jobs in Cost of Goods Sold	
Job 50	37,000
Job 53	31,000
Sub-Total	68,000
Underapplied Overhead	2,000
Total	70,000
Cost of Goods Sold Account	70,000
Difference	0