Factory labor charges that cannot be easily traced to a job are treated as:

- Your answer is correct.

- nonmanufacturing costs
- direct labor
- manufacturing overhead

Challenge • Read about this
Direct labor costs are labor costs that are (check all that apply):

- recorded directly in cost of goods sold.
- easily traced to a particular job.
- accounted for on a time ticket.
- All labor costs are accounted for on time tickets.

Your answer is correct.
The correct answer is shown.

A measure of activity used to assign overhead costs to products and services and sometimes called a cost driver is a(n) allocation base.
Put the steps for calculating direct materials on the schedule of cost of goods manufactured in order.

1. Raw materials inventory, beginning
2. Add: Purchases of raw materials
3. Total raw materials available
4. Deduct: Raw materials inventory, ending
5. Raw materials used in production
6. Deduct: Indirect materials included in manufacturing overhead

Your answer is correct.
Which of the following is not one of the categories into which manufacturing costs are generally classified?

- Direct labor
- Direct materials
- Selling & administrative expenses
- Manufacturing overhead

Your answer is correct.
What account is debited for the issuance of direct materials into production?

- Accounts payable
- Raw materials
- Work in process
- Manufacturing overhead

Your answer is correct.
A job cost sheet contains (check all that apply):

- materials costs charged to the job
- labor costs charged to the job
- manufacturing overhead costs charged to the job
- the selling price of the job
- selling costs charged to the job

Your answer is correct.
Murphy Manufacturing estimated manufacturing overhead for 2013 to be $100,000. Murphy uses direct labor-hours as its allocation base. They estimated that 5,000 hours would be used in 2013. Actual overhead for the year was $120,000 and actual direct labor-hours were 7,500. How much overhead was applied to a job completed during 2013 that used 200 direct labor-hours?

- $4,800
- $100,000
- $3,200
- $4,000

Your answer is correct.
Smith, Inc. uses a job-order costing system with the predetermined overhead rate of $12 per machine-hour. The job cost sheet for Job #42A listed $12,000 in direct labor cost, $18,000 in direct materials cost, 1,200 direct labor-hours and 1,100 machine-hours. The total cost of Job #42A is $43,200. (Note: Do not put a comma in your answer.)

Total cost of Job #42A = Direct materials + Direct labor + Predetermined overhead rate x Actual machine-hours = $18,000 + $12,000 + ($12 per machine-hour x 1,100 machine-hours) = $43,200.
What kinds of costs are assigned to units of product in absorption costing (check all that apply)?

- Fixed manufacturing costs
- Fixed selling and administrative costs
- Variable manufacturing costs
- Variable selling and administrative costs

Your answer is correct.
<table>
<thead>
<tr>
<th>Event</th>
<th>Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual overhead is incurred</td>
<td>Manufacturing overhead is debited</td>
</tr>
<tr>
<td>A job is completed</td>
<td>Manufacturing overhead is credited</td>
</tr>
<tr>
<td>The period ends</td>
<td>Manufacturing overhead is closed</td>
</tr>
</tbody>
</table>
A predetermined overhead rate is calculated by dividing the ____ total manufacturing overhead by the ____ total amount of the allocation base.

- Your answer is correct.
  - actual; actual
  - estimated; actual
  - actual; estimated
  - estimated; estimated [Correct]

[Challenge] [OK]
Put the steps from the schedule of cost of goods manufactured in the order in which they appear.

- Your answer is correct.
- 1. Total manufacturing costs
- 2. Add: Beginning Work in process inventory
- 3. Deduct: Ending Work in process inventory
- 4. Cost of goods manufactured
Place these items in the order in which they appear on the schedule of cost of goods sold.

1. Finished goods inventory, beginning
2. Add: Cost of goods manufactured
3. Cost of goods available for sale
4. Deduct: Finished goods inventory, ending
5. Unadjusted cost of goods sold

Your answer is correct.
Typical cost drivers include (check all that apply):

- utilities cost
- computer time
- machine-hours
- machine depreciation
- flight-hours

Your answer is correct.
Which of the following costs can be directly traced to a particular product? (Check all that apply.)

- Direct labor
- Direct materials
- Manufacturing overhead

Your answer is correct.
When a job is completed, its costs are transferred into:

- raw materials
- cost of goods sold
- work in process
- finished goods

Your answer is correct.
Which of the following are widely used allocation bases in manufacturing (check all that apply)?

- Direct labor cost
- Product revenue
- Units of product
- Maintenance costs
- Machine hours
- Nonmanufacturing costs
- Direct labor hours

Your answer is correct.
The manufacturing overhead account contains:

- many different kinds of indirect costs
- a single kind of indirect cost
- many different kinds of direct costs
- a single kind of direct cost
Manufacturing overhead consists of:

- all manufacturing costs
- all costs other than direct labor and direct materials
- all indirect costs

Your answer is correct.
Place these items from the income statement in the order in which they should appear.

- Your answer is correct.

1. Sales
2. Cost of goods sold
3. Gross margin
4. Selling and administrative expenses
5. Net operating income
Place these items in the order in which they appear on the schedule of cost of goods sold.

1. Cost of goods available for sale
2. Deduct: Finished goods inventory, ending
3. Unadjusted cost of goods sold
4. Add: Underapplied overhead
5. Adjusted cost of goods sold

Your answer is correct.
Which of the following are used to calculate **goods available for sale** on the schedule of cost of goods sold (check all that apply)?

- Cost of goods manufactured
- Ending finished goods inventory
- Beginning finished goods inventory
- Cost of goods sold
What methods can be used to dispose of underapplied or overapplied manufacturing overhead? (Check all that apply.)

- Allocating it among Work in process, Finished goods, and Cost of goods sold.
- Closing it out to Cost of goods sold.
- Closing it out to Work in process.
- Allocating it among Raw materials, Work in process, and Finished goods.
- Closing it out to Finished goods.

Your answer is correct.
Which account is debited to record direct labor costs?

- Work in process
- Salaries and wages payable
- Direct labor
- Manufacturing overhead

Your answer is correct.
Which of the following is *only true* in a multiple predetermined overhead rate system?

- Each category of overhead may have its own predetermined overhead rate.
- Multiple types of overhead are included to calculate the predetermined overhead rate.
- Overhead is applied multiple times throughout the period.
- Each production department may have its own predetermined overhead rate.

Your answer is correct.

Challenge OK
The correct answer is shown.

A credit balance in the Manufacturing Overhead account means overhead was overapplied.

Your answer is correct.
Work In Progress consists of units that are only partially complete. (Enter only one word per blank.)

Your answer is correct.
Which method is used by companies that make many different products each period?

- Job-order costing
- Process costing

Your answer is correct.
Which of the following costs would NOT be classified as manufacturing overhead?

- Depreciation on machinery
- Tires used to produce vehicles
- Factory utilities
- A factory supervisor's salary

Your answer is correct.

- The cost of tires would be direct materials.
The journal entry to record the more accurate allocation of overapplied or underapplied overhead involves which of the following accounts? (Check all that apply.)

- Cost of goods sold
- Finished goods
- Raw materials
- Manufacturing overhead
- Work in process

Your answer is correct.
Which of the following costs are charged directly to the income statement (check all that apply)?

- Selling costs
- Direct materials
- Direct labor
- Manufacturing overhead
- Administrative costs

Your answer is correct.
A journal entry debiting Cost of goods sold and crediting Finished goods is made when:

- Goods are finished
- Goods are sold
- The period is completed
Carlisle, Inc. had Sales of $500,000, Cost of goods sold of $400,000, and Selling and administrative expenses of $50,000. What is the gross margin?

- Your answer is correct.
- $50,000
- $450,000
- $150,000
- $100,000

Challenge OK
A(n) time ticket is a document used to record how long workers spend on each job and task.
Estimated manufacturing overhead $500,000
Estimated direct labor cost $250,000
Actual manufacturing overhead $720,000
Actual direct labor cost $300,000

Based on the information presented above, calculate the predetermined overhead rate per direct labor dollar.

Your answer is correct.

$2.40 per direct labor dollar
$2.88 per direct labor dollar
$1.67 per direct labor dollar
$2.00 per direct labor dollar

Challenge • Read about this

OK
To calculate the unit product cost using the job cost sheet:

- Divide the total job cost by the number of units produced
- Add direct labor to manufacturing overhead and divide by the number of units produced
- Add direct labor to direct materials and divide by the number of units produced
- Multiply the total job cost by the number of units produced

Your answer is correct.
A company recognized accrued property taxes of $1,000 on its manufacturing facility. The journal entry to record this is:

- debit Work in process $1,000 and credit Property taxes payable $1,000
- debit Manufacturing overhead $1,000 and credit Property taxes payable $1,000
- debit Property taxes payable $1,000 and credit Work in process $1,000
- debit Property taxes payable $1,000 and credit Manufacturing overhead $1,000
The correct answer is shown.
The process used to assign overhead costs to products is called overhead application.

Your answer is correct.
A bill of materials contains the (check all that apply):

- type of each direct material needed to complete a unit of product.
- the quantity of materials to be drawn from the storeroom.
- quantity of each direct material needed to complete a unit of product.
- type of materials to be drawn from the storeroom.
- job that will be charged for the cost of the materials.

Your answer is correct.
Which account is credited in the journal entry to record labor costs?

- Direct labor
- Salaries and wages payable
- Work in process
- Manufacturing overhead
When a job is completed, which account is credited?

- Cost of goods sold
- Manufacturing overhead
- Work in process
- Finished goods

Your answer is correct.
The correct answer is shown.
The schedule of cost of goods sold summarizes costs that remain in Finished goods inventory and that have been transferred to Cost of goods sold. (Enter only one word per blank.)

Your answer is correct.

The cost of goods sold summarizes costs that remain in Finished goods inventory and that have been transferred to Cost of goods sold.
$10,000 in manufacturing overhead was applied to Job #40. The entry to record this would:

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>debit Manufacturing overhead $10,000</td>
<td>credit Work in process $10,000</td>
</tr>
<tr>
<td>debit Cost of goods sold $10,000</td>
<td>credit Manufacturing overhead $10,000</td>
</tr>
<tr>
<td><strong>debit Work in process $10,000</strong></td>
<td><strong>credit Manufacturing overhead $10,000</strong></td>
</tr>
<tr>
<td>debit Cost of goods sold $10,000</td>
<td>credit Work in process $10,000</td>
</tr>
</tbody>
</table>
A journal entry that involves Manufacturing overhead and Cost of goods sold is recorded to:

- dispose of underapplied or overapplied overhead
- recognize the sale of goods
- apply manufacturing overhead to jobs
- recognize the completion of goods

Your answer is correct.
What is debited in the journal entry to record the purchase of materials?

- Your answer is correct.

- Manufacturing overhead
- Work in process
- Accounts payable
- Raw materials

[OK]
What is underapplied or overapplied overhead?

- The difference between overhead applied to work in process and actual overhead

Your answer is correct.
Raw Materials consist of any materials that are included in a finished product. (Enter only one word per blank.)

Your answer is correct.
Which of the following statements are true? (Check all that apply.)

- Fringe benefits may be treated as either overhead or direct labor cost.
- Overtime premiums are generally considered part of direct labor.
- It is best to treat idle time as manufacturing overhead.

Your answer is correct.
Place the following steps in requisitioning and issuing materials in order.

1. A production order is issued.
2. The production department prepares a materials requisition form.
3. The materials requisition form is presented to the storeroom clerk.
4. The storeroom clerk issues materials.

Your answer is correct.
Which of the following would not be charged to the Manufacturing overhead account?

- Factory rent
- Depreciation on factory equipment
- Supervisor's salary
- Nonmanufacturing costs

Your answer is correct.
Which of the following statements are true? (Check all that apply.)

- When predetermined overhead rates are based on capacity, there will typically be large amounts of overapplied overhead.
- Too much fixed overhead may be applied to products when the predetermined overhead rate is based on estimated activity.
- In practice, most companies base their predetermined overhead rates on the allocation base at capacity.
- Total estimated overhead at capacity is generally larger than total estimated overhead at the expected level of activity.
The United States requires absorption costing for tax reports.
The journal entry to record shipping goods to customers includes a credit to:

- finished goods
- cost of goods sold
- work in process
- manufacturing overhead

Your answer is correct.
The unit product cost is the same as the (check all that apply):

- Your answer is correct.
- cost that would be incurred if another unit were produced
- incremental unit cost
- average product cost per unit
- total job cost divided by number of units

Challenge
The correct answer is shown.

The process used to assign overhead costs to products is called overhead application.
The correct answer is shown.

Raw materials inventory is originally recorded in a(n) **asset** account and is reported on the balance **sheet**. (Enter only one word per blank.)

✅ Your answer is correct.
An accurate calculation of the cost of an order is important to a company because they need to ensure that the sales revenue of the order exceeds the cost of the order. (Enter only one word per blank.)
To calculate **total manufacturing costs** on the schedule of cost of goods manufactured,:

- Your answer is correct.

1. add direct materials, direct labor, and applied manufacturing overhead; then add ending Work in process and subtract beginning Work in process
2. add direct materials, direct labor, and applied manufacturing overhead; then add beginning Work in process and subtract ending Work in process
3. add direct materials, direct labor, and applied manufacturing overhead
4. add direct materials, direct labor, and actual manufacturing overhead

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**Challenge**

Next question: Write the formula when the cost of goods manufactured includes indirect manufacturing costs.
How are costs that cannot be traced to a particular product assigned to products and services?

- By adding a markup to direct labor costs
- By averaging across time and across products
- By determining how much of the cost was actually caused by a particular product

Your answer is correct.
A normal costing system applies overhead by job by multiplying a(n) predetermined overhead rate by the actual amount of the allocation base incurred by the job. (Enter only one word per blank.)

Your answer is correct.
Why do companies use a predetermined overhead rate rather than an actual overhead rate?

Your answer is correct.

- A predetermined overhead rate is easier to use.
- An actual overhead rate can never be calculated.
- An actual overhead rate is not known until the end of the period.
- A predetermined overhead rate is more accurate.
An ideal allocation base should be:

- Your answer is correct.
- A cost driver
- Machine hours
- Direct labor hours
- A cost object
When are direct materials costs recorded on the job cost sheet?

Your answer is correct.

- When the requisition form is submitted to the storeroom clerk.
- When direct materials are issued to the job.
- When the job is sold to a customer.
- When the job is complete.

Challenge • Read about this
The correct answer is shown.

Finished Goods inventory consists of completed units that have not yet been sold.

✓ Your answer is correct.
When preparing financial statements in a job-order costing system, finished goods flow first to the **balance sheet** and then to the **income statement** (Enter only one word per blank.)

Your answer is correct.