

# Accounting calculations

Finance



Accounting Calculations Wireless and Remote connectivity Challenge –

Sanford QUESTION 1. Compute the company's predetermined overhead rate

(a) -Pre -Determined overhead rate

Fixed Manufacturing Overhead

106, 250. 00

Basis of Allocation -Machine Hrs

85, 000. 00

1. 25

Variable Manufacturing Overhead

0. 75

Predetermined Overhead Rate

2. 00

Question 2: Calculation of Overhead Costs

Manufacturing Overhead

Utilities

14, 000. 00

Budgeted Overhead

160, 000. 00

Insurance

9, 000. 00

Maintainance

33, 000. 00

Indirect Materials

7, 000. 00

Indirect Labour

65, 000. 00

Depreciation

40, 000. 00

Under -Applied overheads

8000

168, 000. 00

168, 000. 00

Work -In -Progress

Direct Material

530, 000. 00

Cost of goods sold

783, 000. 00

Direct Labour

85, 000. 00

Overheads

160, 000. 00

Under -Allocated Overheads

8, 000. 00

783, 000. 00

783, 000. 00

3. Computation of the Underapplied or Overapplied Overhead for the Year

Under- applied (Over -Applied) indirect costs = Actual indirect costs incurred

- Indirect costs allocated

Actual Manufacturing Overhead

168, 000. 00

Budgeted Manufacturing Overhead

160, 000. 00

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Under (Over) Applied Overheads

8, 000. 00

4. Why the manufacturing overhead of the company was underapplied/  
overapplied for the year

The manufacturing overhead was under applied by \$8000. This was particularly because the actual costs exceed the budgeted overhead (Ross, 2013).

QUESTION 2

Solutions

Equivalent Units

Physical Units

Direct Materials

Conversion Costs

Opening WIP (Pounds)

70, 000. 00

Started in May (Pounds)

350, 000. 00

Total Units to Account For (Pounds)

420, 000. 00

Completed and Transferred Out (Pounds)

380, 000. 00

380, 000. 00

380, 000. 00

Ending WIP

40, 000. 00

30, 000. 00

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10, 000. 00

Equivalent Units

420, 000. 00

410, 000. 00

390, 000. 00

Costs to Account For

Work In Progress (\$\$)

122, 000. 00

86, 000. 00

36, 000. 00

Added During May (\$\$)

645, 000. 00

447, 000. 00

198, 000. 00

767, 000. 00

533, 000. 00

234, 000. 00

Costs Incurred to Date (\$\$)

533, 000. 00

234, 000. 00

Equivalent Units

410, 000. 00

390, 000. 00

Cost/Equivalent Unit (\$\$)

1. 30

0. 60

Cost Assignment

Completed and Transferred Out (\$\$)

722000

494000

228000

Ending WIP (\$\$)

45000

39000

6000

Total Costs to Account For (\$\$)

767, 000. 00

533, 000. 00

234, 000. 00

References

Ross, S. A. (2013). Fundamentals of Corporate Finance (10th ed.). New York, NY: McGraw-Hill Irwin.