

Fontanez case essay sample



Directions: Your assignment this week is to answer the three questions below. Please note that Question #3 has add more rows or columns to the box if needed.

1. Biltz Company uses a predetermined overhead rate based on direct labor hours to allocate manufacturing overh \$582, 000 and 135, 000 direct labor hours were worked. The company estimated that it would incur \$525, 000 of ma

By how much was manufacturing overhead overallocated or underallocated for the year?

582, 000 - 582, 000=

\$57, 000. 00

2. The following account balances at the beginning of January were selected from the general ledger of Ocean City Work-in-process inventory

Raw materials inventory

Finished goods inventory

\$0

\$28, 000

\$40, 000

Additional data:

1) Actual manufacturing overhead for January amounted to \$62, 000. 2)

Total direct labor cost for January was \$63, 000.

3) The predetermined manufacturing overhead rate is based on direct labor

cost. The budget for the year called for 4) The only job unfinished on January 31 was Job No. 151, for which total direct labor charges were \$5,200 (800 dir 5) Cost of direct materials placed in production during January totaled \$123,000. There were no indirect materials 6) January 31 balance in raw materials inventory was \$35,000. 7) Finished goods inventory balance on January 31 was \$34,500. What is the cost of goods manufactured for January? Show your work for full credit.

Raw Materials beginning +

Work in Process beginning +

\$0.00

Direct Materials \$28,000.00

\$123,000.00

Materials used +

\$116,000.00

3. Vintage Fun reproduces old-fashioned style roller skates and skateboards. The annual production and sales of roller skates used direct labor hours to allocate its overhead to products. Roller skates require 2.5 direct labor hours per unit, with a total overhead of \$114,300. The company is looking at the possibility of changing to an activity-based costing system for its product cost pools:

3a. What is the predetermined overhead allocation rate using the traditional costing system? Step 1: Total Direct Labor Hours = DLH for roller skates + DLH for skateboards
 Total DLH = (950 units x 2.5 DLH per unit) + (1,750

units x 1.25 DLH per unit) = 4,652.5 DLH Step 2: Predetermined manufacturing overhead rate

= \$ 114,300 estimated manufacturing overhead / 4,562.5 direct labor hours \$
= \$25.05 per direct labor hour

114,300.00

3b. What is the overhead cost per skateboard using an activity-based costing system? Roller skate DL hours: $950 \times 2.5 = 2,375$

Skateboard DL hours: $1,750 \times 1.25 = 2,187.5$

Predetermined OH rate: $(6,550 + 16,500 + 91,250) / (2,375 + 2,187.5) = 25.05$
Skateboard activity: $25.05 \times 2,187.5 = 54,801.37$

950

1750

114300

25.05

OH per unit: $54,801.37 / 1,750 = 31.32$

54801.37

DeVry University

ACCT346 Weekly Assignment

Week 2

Please note that Question #3 has 2 parts, Part A and Part B. Please show your work for full credit and use the box provided.

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s to allocate manufacturing overhead to jobs. During the year, the company actually incurred manufacturing overhead costs o hat it would incur \$525, 000 of manufacturing overhead during the year and that 150, 000 direct labor hours would be worked.

Underallocated

m the general ledger of Ocean City Manufacturing Company:

The budget for the year called for \$250, 000 of direct labor cost and \$350, 000 of manufacturing overhead costs. bor charges were \$5, 200 (800 direct labor hours) and total direct material charges were \$14, 000. There were no indirect material requisitions during January.

edit.

Raw Materials = Material used

\$35, 000. 00

\$116, 000. 00

Direct Labor + Overhead Work in Process end = Cost of Goods Manufactured

\$63, 000. 00

\$62, 000. 00

\$40, 000. 00

\$201, 000. 00

Annual production and sales of roller skates is 950 units, while 1, 750 skateboards are produced and sold. The company has tra 2. 5 direct labor hours per unit, while skateboards require 1. 25 direct labor hours per unit. The total estimated overhead for th ased costing system for its products.

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