

Mangment

Finance



Task: Question one: ABC Corporation Direct materials 250, 000 Direct labor
425, 000 Used: Direct labor hours 20, 000 Machine hours
50, 000

Estimations:

Annual overhead

4, 200, 000

Annual direct labor hours

60, 000

Annual machine hours

140, 000

The estimated overhead allocation rate using direct labor hours = $(4, 200, 000/60, 000) = \$ 70$ per labor hour. Therefore, the total cost of the job using direct labor hours is as below.

Direct material

250, 000

Direct labor cost

425, 000

Overhead allocation $(70*20, 000)$

1, 400, 000

Total cost

2, 075, 000

During that period, 100, 000 parts were produced. Therefore, the cost per part = $(2, 075, 000/100, 000) = \$ 20. 75$.

The estimated overhead rate allocation rate using machine hours as allocation base = $(4, 200, 000/140, 000) = \$ 30$ per machine hour.

Therefore, the total cost of the job is as below.

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Amount \$

Direct material

250, 000

Direct labor cost

425, 000

Overhead allocation (30*50, 000)

1, 500, 000

Total cost

2, 175, 000

During the period, 100, 000 parts were produced. Therefore, the cost per part = $(2, 175, 000/100, 000) = \$ 21. 75$

Question 2: Norris Inc.

Amount \$

Raw material inventory (beginning)

4, 600

Add Indirect material issued from supplies

3, 600

Less raw material inventory (end)

5, 800

Cost of direct material issued

2, 400

The cost of goods manufactured (COGM) = cost of raw material + Direct labor + Manufacturing overhead + Opening work in progress - ending work in progress. Therefore, $COGM = (2, 400 + 3100 + 49, 600 + 8, 800 - 7, 500) = \$ 56, 400$ (Lal & Srivastava 404-423).

Question 3

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Using the information contained in the extract of a manufacturing account, it is practically impossible to calculate the ending finished goods. Considering the formula ending finished goods, which is opening finished good + cost of goods manufactured (COGM) – cost of goods sold (CoGs). The extract does not have information on COGM and CoGs. Secondly, it is impossible to calculate the beginning work in progress since it obtained from a previous year's end work in progress, which is not contained in the extract provided. Lastly, since the units for measuring the direct labor cost is not provided, it is impractical to calculate the cost using the information in the manufacturing account extract (Lal & Srivastava 404-423).

Question 4

The estimated overhead rate allocation rate on the basis of direct labor cost = $(15,000/10,000) = \$ 1.5$ per direct labor cost. Therefore, overhead cost to be added to job Q at the year end = $(1.5 * 8,000) = \$ 12,000$ (Lal & Srivastava 404-423).

Question 5

The overhead allocation rate = 120% of direct labor. From this, the overhead cost of job 413 = $(120/100) * 8,000 = \$ 9,600$. Therefore, the total manufacturing cost assigned = overhead cost + direct materials cost + direct labor cost = $(9,600 + 12,000 + 8,000) = \$ 29,600$. The unit product cost for job 413 = total manufacturing cost/ number of units = $(29,600/200) = \$ 148$ (Lal & Srivastava 404-423).

Works Cited

Lal, Jawahar, and Seema Srivastava. Cost accounting, New Delhi: Tata McGraw-Hill, 2009. Print.