

Chapter 4 Job costing

4-18 Job costing, normal and actual costing.

Anderson Construction assembles residential houses. It uses a job-costing system with two direct-cost categories (direct materials and direct labor) and one indirect-cost pool (assembly support). Direct labor-hours is the allocation base for assembly support costs. In December 2013, Anderson budgets 2014 assembly-support costs to be \$8,000,000 and 2014 direct labor-hours to be 160,000.

At the end of 2014, Anderson is comparing the costs of several jobs that were started and completed in 2014.

	Laguna Model	Mission Model
Construction period	Feb–June 2014	May–Oct 2014
Direct material costs	\$106,650	\$127,970
Direct labor costs	\$ 36,276	\$ 41,750
Direct labor-hours	920	1,040

Direct materials and direct labor are paid for on a contract basis. The costs of each are known when direct materials are used or when direct labor-hours are worked. The 2014 actual assembly-support costs were \$7,614,000, and the actual direct labor-hours were 162,000.

Required:

1. Compute the (a) budgeted indirect-cost rate and (b) actual indirect-cost rate. Why do they differ?
2. What are the job costs of the Laguna Model and the Mission Model using (a) normal costing and (b) actual costing?
3. Why might Anderson Construction prefer normal costing over actual costing?

4-19 Budgeted manufacturing overhead rate, allocated manufacturing overhead.

Gammaro Company uses normal costing. It allocates manufacturing overhead costs using a budgeted rate per machine-hour. The following data are available for 2014:

Budgeted manufacturing overhead costs	\$4,200,000
Budgeted machine-hours	175,000
Actual manufacturing overhead costs	\$4,050,000
Actual machine-hours	170,000

Required:

1. Calculate the budgeted manufacturing overhead rate.
2. Calculate the manufacturing overhead allocated during 2014.
3. Calculate the amount of under- or overallocated manufacturing overhead. Why do Gammaro's managers need to calculate this amount?

4-31 Job costing, accounting for manufacturing overhead, budgeted rates.

The Pisano Company uses a job-costing system at its Dover, Delaware, plant. The plant has a machining department and a finishing department. Pisano uses normal costing with two direct-cost categories (direct materials and direct manufacturing labor) and two manufacturing overhead cost pools (the machining department with machine-hours as the allocation base and the finishing department with direct manufacturing labor costs as the allocation base). The 2014 budget for the plant is as follows:

	Machining Department	Finishing Department
Manufacturing overhead costs	\$9,065,000	\$8,181,000
Direct manufacturing labor costs	\$ 970,000	\$4,050,000
Direct manufacturing labor-hours	36,000	155,000
Machine-hours	185,000	37,000

Required:

1. Prepare an overview diagram of Pisano's job-costing system.
2. What is the budgeted manufacturing overhead rate in the machining department? In the finishing department?
3. During the month of January, the job-cost record for Job 431 shows the following:

	Machining Department	Finishing Department
Direct materials used	\$13,000	\$ 5,000
Direct manufacturing labor costs	\$ 900	\$ 1,250
Direct manufacturing labor-hours	20	70
Machine-hours	140	20

Compute the total manufacturing overhead cost allocated to Job 431.

4. Assuming that Job 431 consisted of 300 units of product, what is the cost per unit?
5. Amounts at the end of 2014 are as follows:

	Machining Department	Finishing Department
Manufacturing overhead incurred	\$10,000,000	\$7,982,000
Direct manufacturing labor costs	\$ 1,030,000	\$4,100,000
Machine-hours	200,000	34,000

Compute the under- or overallocated manufacturing overhead for each department and for the Dover plant as a whole.