

4. (25 points) Packer Company produces three different products, A, B and C. Data on operations and costs for the month are:

	<u>A</u>	<u>B</u>	<u>C</u>	<u>Total</u>
Machine hours	3,000	5,000	2,000	10,000
Direct labor hours	25,000	15,000	10,000	50,000
Units produced	5,000	2,000	1,000	8,000
Direct material costs	\$50,000	\$28,000	\$30,000	\$108,000
Direct labor costs	220,000	95,000	62,000	377,000
Manufacturing overhead costs				270,000
Total costs				<u>\$755,000</u>

Required:

- Determine the predetermined overhead rate if Packer Company uses machine hours to allocate overhead costs.
- Compute the unit cost for each model (A, B and C) assuming that machine hours are used to allocate overhead costs.
- Determine the predetermined overhead rate if Kerrington Corporation uses direct labor hours to allocate overhead costs.
- Compute the unit cost for each model (A, B and C) assuming that direct labor hours are used to allocate overhead costs.

a) $755,000 / 50,000 = 15.1$

b)

$\times 3$
 122

5. (30 points) Keith Company uses a job-order costing system and a predetermined overhead rate based on machine hours.

The following information pertains to June of the current year:

	<u>Job A</u>	<u>Job B</u>	<u>Job C</u>	<u>Totals</u>
Work in process, June 1	\$40,000	\$60,000	\$50,000	\$150,000
June production activity:				
Materials requisitioned and used	\$30,000	\$40,000	\$30,000	\$100,000
Direct labor costs	\$15,000	\$30,000	\$45,000	\$90,000
Machine hours	2,000	3,000	4,000	9,000

At the beginning of the year, the company estimated manufacturing overhead for the year would be \$300,000 and machine hours used would be 20,000.

Required:

- Compute the predetermined overhead rate.
- Determine the total cost associated with each job.
 - Job A
 - Job B
 - Job C
- Give the general journal entry to record the total amount of materials requisitioned and used in June.
- Give the general journal entry to record total amount of overhead applied in June.
- Give the general journal entry to record when Job A was completed.

40
- 30