

**BSM 481 - COST MANAGEMENT  
MID-TERM EXAM  
FALL 2016**

1. Based on the lectures and content found in Chapters 1 – 4 of VanDerbeck’s text, *“Principles of Cost Accounting,”* provide a comprehensive explanation of Cost Accounting based on the key concepts and principles in Chapter 1 – Introduction to Cost Accounting, Chapter 2 – Accounting for Materials, Chapter 3 - Accounting for Labor, and Chapter 4 - Accounting for Factory Overhead.

**Required:**

Your response requires a minimum of four paragraphs, and a maximum of eight paragraphs (Time New Roman Font, 12 pt. Font Size).

2. Wesley Manufacturing Company, a startup venture, manufactures goods to special order and uses a job order cost system. During company’s first month of operations, the following selected transactions took place.

a.	Materials purchased on account.....	\$37,000
b.	Materials issued the factory:	
	Job 001.....	\$ 2,200
	Job 002.....	5,700
	Job 003.....	7,100
	Job 004.....	1,700
	For general work in the factory.....	1,350
c.	Factory wages and salaries earned:	
	Job 001.....	\$ 2,700
	Job 002.....	6,800
	Job 003.....	9,200
	Job 004.....	2,100
	For general work in the factory.....	2,250

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- |    |   |          |
|----|---|----------|
| d. | Miscellaneous factory overhead costs on account.....          | \$ 2,400 |
| e. | Depreciation of \$2,200 on the factory machinery recorded.    |          |
| f. | Factory overhead allocated as follows:                        |          |
|    | Job 001.....  | \$ 1,200 |
|    | Job 002.....  | 2,000    |
|    | Job 003.....  | 3,800    |
|    | Job 004.....  | 1,000    |
| g. | Jobs 001,002,003 and 004 completed.                           |          |
| h. | Jobs 001 and 002 shipped to the customer and billed \$39,000. |          |

**Required:**

1. Prepare a schedule reflecting the cost of each of the four jobs.
  2. Prepare journal entries to record the transactions.
  3. Compute the ending balance in Work- in-Process
  4. Compute the ending balance in Finished Goods.
3. Wesley Manufacturing Co. used a job order cost system. A partial list of the accounts being maintained by the company, with their balances as of February 1, follows:

Cash.....	\$64,250
Materials.....	23,500
Work-in-Process.....	31,000
Accounts Payable (credit).....	29,000
Factory overhead.....	0

The following transactions were completed during February:

- a. Materials purchases on account during the month - \$58,000.
- b. Materials requisitioned during the month:

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1. Direct Materials - \$45,000.
2. Indirect Material - \$8,000.
- c. Direct Materials returned by factory to storeroom during the month - \$900.
- d. Materials returned to vendors during the month prior to payment - \$1,500.
- e. Payments to vendors during the month - \$51,500.

**Required:**

1. Prepare general journal entries for each of the transactions.
2. Post the general journal entries to T – Accounts.
3. Balance the accounts and report the balances of February 28 for the following:
  - a. Cash
  - b. Materials
  - c. Accounts Payable
4. Wesley Manufacturing Company's general ledger showed the following credit balances on June 15:

FICA Tax Payable.....	\$ 3,100.00
Employees Income Tax Payable.....	1,937.50
FUTA Tax Payable.....	193.75
State Unemployment Tax Payable.....	775.00

Direct Labor Earnings amounted to \$ 10,500 from June 16 to June 30.

Indirect Labor was \$ 5,700, and Sales Administrative Salaries for the same period amounted to \$ 3,800. All Wages are subject to FICA, FUTA, State Unemployment Taxes, and 10% Income Tax Withholding.

**Required:**

1. Prepare the journal entries for the following:

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- a. Recording the payroll
  - b. Paying the payroll
  - c. Recording the employer's payroll tax liability
  - d. Distributing the payroll costs for June 16 to June 30
2. Prepare the journal entry to record the payment of the amounts due for the month to the government for FICA and income tax withholdings.
  3. Calculate the amount of total earnings for the period from June 1 to June 15.
5. Wesley Manufacturing Co. is studying the results of apply factory overhead to production. The following data have been used: (1) estimated factory overhead, \$60,000; (2) estimated material costs, \$50,000; (3) estimated direct labor costs, \$60,000; (4) estimated direct labor overhead hours, 10,000; (5) estimated machine hours, 20,000; and (6) work-in-process at the beginning of the month, \$0.

The actual factory overhead incurred for the month of July was \$80,000, and the production statistics on July 31 are as follows:

Job	Materials Costs	Direct Labor Costs	Direct Labor Hours	Machine Hours	Date Jobs Completed
306	\$ 5,000	\$ 6,000	1,000	3,000	July 10
307	7,000	12,000	2,000	3,200	July 14
308	8,000	13,500	2,500	4,000	July 20
309	9,000	15,600	2,600	3,400	In process
310	10,000	29,000	4,500	6,500	July 26
311	11,000	2,400	400	1,500	In process
<b>Total</b>	\$50,000	\$78,500	13,000	21,600	

**Required:**

1. Compute the predetermined rate, based on the following:
  - a. Direct Labor Cost
  - b. Direct Labor Hours
  - c. Machine Hours

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2. Using each of the methods, compute the Estimated Total Cost of each job at the end of the month.
3. Determine the Under- or Overapplied Factory Overhead, in Total, at the End of the Month under each of the methods.
4. Which method would you recommend to the Senior Management of Wesley Manufacturing Co.? And, provide your rationale as the Cost Accounting Manager for selecting this particular method for implementation in applying the factory overhead costs to production for the Wesley Manufacturing Co.