

**FATİH UNIVERSITY**  
**FACULTY OF ECONOMIC AND ADMINISTRATIVE SCIENCES**  
**DEPARTMENT OF MANAGEMENT**  
**MAN 305 COST ACCOUNTING**

Instructor: Ali COSKUN  
Duration: 75 Minutes

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**QUESTIONS**

**Question 1. (25 points)** Fountain Manufacturing Company had the following account balances for the quarter ending March 31, unless otherwise noted:

Work-in-process inventory (January 1) .....	\$ 140,400
Work-in-process inventory (March 31).....	171,000
Finished goods inventory (January 1).....	540,000
Finished goods inventory (March 31).....	510,000
Depreciation of manufacturing equipment .....	264,000
Depreciation of office equipment .....	123,600
Direct manufacturing labor .....	480,000
Direct materials used .....	378,000
General office expenses .....	305,400
Indirect manufacturing labor .....	186,000
Indirect materials used .....	84,000
Marketing distribution costs .....	30,000
Miscellaneous plant overhead .....	135,000
Plant utilities .....	92,400
Property taxes on manufacturing plant building	28,800
Sales Revenue.....	2,000,000
Salespersons' company vehicle costs .....	12,000

- a. Prepare a cost of goods manufactured schedule for the quarter.
- b. Prepare a cost of goods sold schedule for the quarter.
- c. Prepare an income statement for the quarter.

**Question 2. (25 points)** Talent Company uses a job-order costing system for manufacturing parts of calculators. Summary of the transactions for the month January included:

- a. Materials purchased \$30,000.
- b. Direct materials used \$23,000 and indirect material used \$2,500.
- c. Direct labor incurred, \$22,000, wages will be paid in February.
- d. Factory utilities were \$1,200, Indirect manufacturing labor costs were \$7,500, and depreciation on the equipment was \$1,500. Utilities expense was paid in January, wages will be paid in February.
- d. Indirect manufacturing cost applied 500 machine hours at \$25 per machine hour.
- f. Costs of orders completed, \$56,000.
- g. Costs of goods sold, \$50,000.

Prepare journal entries to summarize January transactions.

**Question 3. (25 points)** Glavin Corporation manufactures two products, Ordinary and Complex. The company estimated manufacturing overhead would incur \$305,000 in manufacturing overhead costs and produce 5,000 units of Ordinary and 20,000 units of Complex during the current year. Unit price and unit costs for materials and direct labor are:

	<u>Ordinary</u>	<u>Complex</u>
Direct material cost per unit	\$ 9	\$ 20
Direct labor cost per unit	\$ 7	\$ 15
Selling price per unit	\$ 35	\$ 105

The company's overhead costs can be allocated to three major activities. These activities and the amount of overhead cost to be allocated to each activity for the current year are given below:

<u>Activity Cost Pools</u>	<u>Estimated Overhead Costs</u>	<u>Expected Activity</u>		
		<u>Product A</u>	<u>Product B</u>	<u>Total</u>
Machine setups required	\$ 170,000	700	1,000	1,700
Purchase orders issued	37,000	300	200	500
Maintenance requests issued	<u>98,000</u>	400	600	1,000
	\$ 305,000			

Using the data above and an activity-based costing approach, determine the unit manufacturing cost of each product for the current year.

**Question 4. (25 points)** Tough Products Company manufactures pipes and applies manufacturing costs to production at a budgeted indirect-cost rate of \$8 per direct labor-hour. The following data are obtained from the accounting records for June 2006:

Direct materials	\$400,000
Direct labor (8,000 hours @ \$11/hour)	\$ 88,000
Indirect labor	\$ 10,000
Plant facility rent	\$ 40,000
Depreciation on plant machinery	\$ 20,000
Sales salaries	\$ 30,000
Administrative expenses	\$ 40,000

- What actual amount of manufacturing overhead costs was incurred during June 2006?
- What amount of manufacturing overhead was allocated to all jobs during June 2006?
- For June 2006, was manufacturing overhead underallocated or overallocated?
- Prepare a journal entry to write off the difference between allocated and actual overhead directly to Cost of Goods Sold.