

PRINCIPLES OF FINANCIAL AND MANAGERIAL ACCOUNTING II

Manufacturing: Job Order, Flow of Costs Entries, Manufacturing Overhead

Major change from first semester and previous topics:



Another major change as we enter this topic:



Recommendations for self-study:

Chapter 19

- great introduction
- many new terms (vocabulary)
- study Chapter 19 with any of next three chapters
- good Questions recommended in syllabus
- good exercises recommended in syllabus

Chapters 20 and 21

- assume perpetual inventory
- Job Order:

Examples: _____

- Process:

Examples: _____

From "Virtual Field Trip" . . .

Stages of Production:

1. _____

2. _____

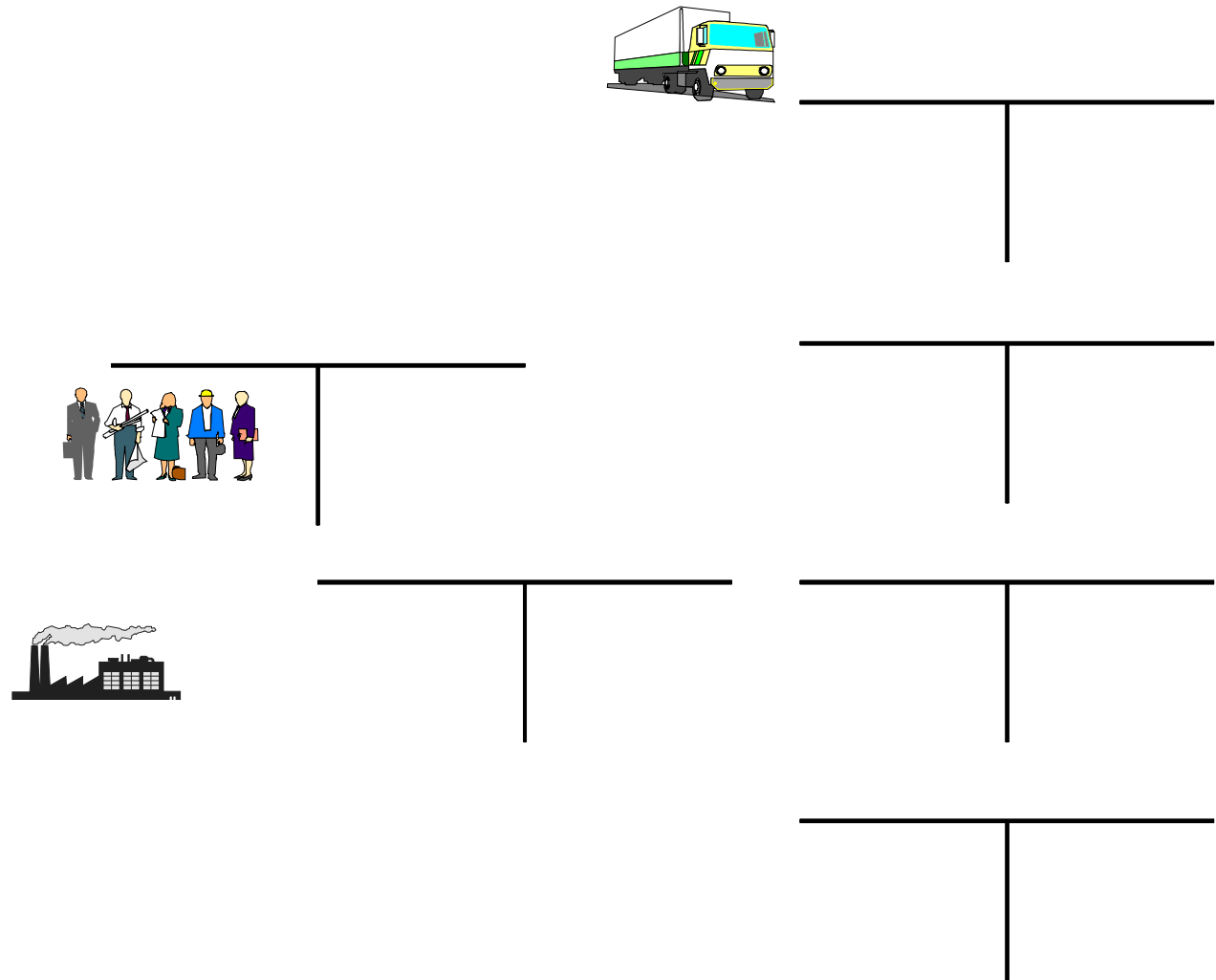
3. _____

Inventory Accounts (parallel to "stages of production"):

1. _____
2. _____
3. _____

FLOW OF COSTS THROUGH MANUFACTURING T-ACCOUNTS

In the space below, complete the diagram of T-accounts and other information depicting the FLOW OF COSTS through manufacturing accounts. Take care to draw it EXACTLY as it is illustrated on the screen. Use the diagram to assist in solving homework problems and in understanding the flow of costs through the accounts.



FLOW OF COSTS THROUGH MANUFACTURING ACCOUNTS
(journal entries)

As much as possible, refer to the previous diagram as you consider the following transactions in general journal form:

Raw materials acquired on account.

_____	cost	
Accounts Payable		cost

Materials requisitioned for use.

_____	_____	
_____	_____	
Raw Materials (Inventory)		total

Factory labor costs paid.

_____	paid	
Cash		paid

Applied labor costs to jobs based on time tickets.

_____	_____	
_____	_____	
Factory Labor		total

Depreciation on factory, store, and office equipment.

_____	_____	
Depreciation Expense – Selling	store	
Depreciation Expense – Admin	office	
_____		total

Application of manufacturing overhead to production.

_____	applied	
_____		applied

Goods completed and transferred to next stage of production.

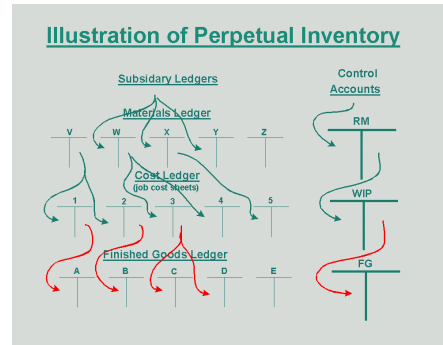
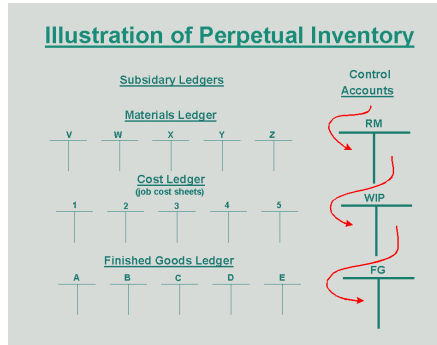
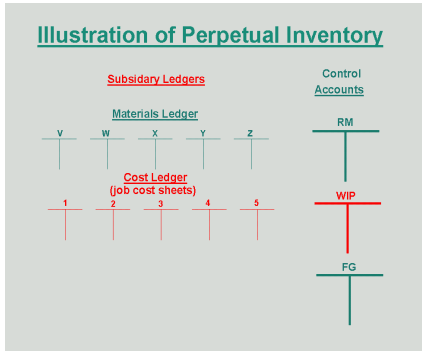
_____	total	
_____		total

Goods sold on account.

Accounts Receivable	retail	
Sales		retail
_____	cost	
_____		cost

Control Accounts

Subsidiary Ledgers



MANUFACTURING OVERHEAD (a.k.a. Factory Overhead)

Easier to associate _____ and _____ with the finished product than to associate _____ with the finished product.

Most Reliable Method:

Allocate total costs to units produced at year end when all ACTUAL costs are known.

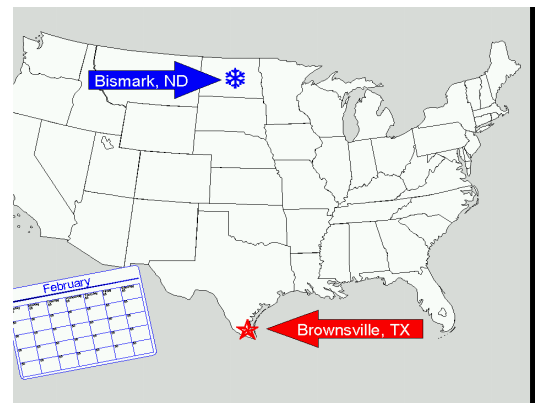
Weakness:

Alternative Method:

Allocate ACTUAL costs incurred on a month-to-month basis.

Consider examples of manufacturing plants in Bismark and Brownsville.

Weakness: differences in costs incurred (some seasonal) would _____ of the product produced.



Best Alternative:

Use of predetermined

Not precise -- but reliable . . .

Manufacturing (Factory) Overhead Rate

$$\frac{\text{estimated}}{\text{estimated}} \text{_____} *$$

*Common activity bases/drivers:

1. direct labor costs (dollars)
2. _____
3. machine hours

Application of Manufacturing (Factory) Overhead

$$\begin{array}{r} \text{actual activity for month} \\ \times \\ \hline = \text{estimate (applied amount)} \end{array}$$

The journal entry necessary to assign (apply) overhead would be:

_____ applied
_____ applied