

Faculty of Commerce
English Section
4th Grade
Cost Systems
Test Bank

TRUE/FALSE

1. A company that produces sugar will use a job order costing system to track production costs.

ANS: F

2. A company that produces sugar will use a process costing system to track production costs.

ANS: T

3. A company that manufactures custom bridal gowns will use a job order costing system to track production costs

ANS: T

4. A company that manufactures custom bridal gowns will use a process costing system to track costs.

ANS: F

5. A company that manufactures small quantities of identifiable products will use a job order costing system

ANS: T

6. A company that manufactures small quantities of identifiable products will use a process costing system

ANS: F

7. A company that manufactures large quantities of homogenous goods will use a process costing system.

ANS: T

8. In an actual job order costing system, factory overhead is assigned to a job on a periodic basis.

ANS: T

9. A company that manufactures large quantities of homogenous goods will use a job order costing system.

ANS: F

10. Cost flows and physical flows of units are identical.

ANS: F

11. In an actual job-order costing system, factory overhead is assigned to a job continuously during the production process.

ANS: F

12. In a normal job order costing system, actual factory overhead is applied at the end of the period

ANS: F

13. In a normal job order costing system, factory overhead is applied using actual rates times actual input

ANS: F

14. In a normal job order costing system, factory overhead is applied using predetermined rates times actual input.

ANS: T

15. In a normal job order costing system, factory overhead is applied using predetermined rates times standard input

ANS: F

16. In a standard job order costing system, factory overhead is applied using predetermined rates times standard input.

ANS: T

17. In a standard job order costing system, factory overhead is applied using actual rates times standard input.

ANS: F

18. In a standard job order costing system, factory overhead is applied using predetermined rates times actual input.

ANS: F

19. In a job order costing system, costs are accumulated for each individual job

ANS: T

20. When raw materials are placed into production, the materials inventory account is debited

ANS: F

21. When manufacturing overhead is charged to a job, the work in process account is debited.

ANS: T

22. When manufacturing overhead is charged to a job, the manufacturing overhead account is debited.

ANS: F

23. When manufacturing overhead is charged to a job, the work in process account is credited.
ANS: F
24. When indirect labor is applied to a job in process, the manufacturing overhead account is debited.
ANS: F
25. When indirect labor is recorded for a job in process, the work in process account is debited.
ANS: F
26. Standards can be computed for materials, labor, and overhead.
ANS: T
27. Standards can be used in a job order costing system if the products manufactured are similar in nature.
ANS: T
28. Standards can be used in a job order costing system if the products manufactured are varied in nature.
ANS: F
29. Abnormal spoilage is considered a period cost
ANS: T

Beta Company

The following information pertains to Beta Company for September 20X4.

	<u>Direct Material</u>	<u>Direct Labor</u>	<u>Overhead</u>
Job #323	\$3,200	\$4,500	?
Job #325	?	5,000	?
Job #401	5,670	?	\$5,550

Beta Company applies overhead for Job #323 at 140 percent of direct labor cost and at 150 percent of direct labor cost for Jobs #325 and #401. The total cost of Jobs #323 and #325 is identical.

30. Refer to Beta Co. What amount of overhead is applied to Job #323?
a. \$4,800
b. \$5,550
c. \$6,300
d. \$7,500

ANS: C

Direct Labor	Application Rate	Total Overhead
\$4,500	140%	\$6,300

31. Refer to Beta Co. What amount of overhead is applied to Job #325?
a. \$8,325
b. \$7,500

- c. \$7,000
- d. \$5,000

ANS: B

Direct Labor	Application Rate	Total Overhead
\$5,000	150%	\$7,500

32. Refer to Beta Co. What is the amount of direct materials for Job #325?
- a. \$1,950
 - b. \$1,500
 - c. \$3,700
 - d. \$7,500

ANS: B

Step 1: Determine OH for Jobs 323 and 325			
	323	\$	6,300
	325		7,500
Step 2: Compute Total Cost of Job 323			
	DM	\$	3,200
	DL		4,500
	FOH		<u>6,300</u>
			<u>14,000</u>
Step 3: Compute Direct Materials for Job 325			
(14,000 - (5,000 + 7,500))			\$ 1,500

33. Refer to Beta Co. Assume that Jobs #323 and #401 are incomplete at the end of September. What is the balance in Work in Process Inventory at that time?
- a. \$18,920
 - b. \$22,620
 - c. \$28,920
 - d. \$30,120

ANS: C

Step 1: Determine DL for Job 401			
			3,700
\$5,550 ÷ 150%			
Step 2: Compute Total Cost of Job 401			
	DM	\$	5,670
	DL		3,700
	FOH		<u>5,550</u>
			<u>14,920</u>
Step 2: Compute Total Cost of Job 323			
	DM	\$	3,200
	DL		4,500
	FOH		<u>6,300</u>
			<u>14,000</u>
Total Costs of Jobs 323 and 401			28,920

Camden Company

Camden Company has two departments (Processing and Packaging) and uses a job order costing system. Baker applies overhead in Processing based on machine hours and on direct labor cost in Packaging. The following information is available for July:

	<u>Processing</u>	<u>Packaging</u>
Machine hours	2,500	1,000
Direct labor cost	\$44,500	\$23,000
Applied overhead	\$55,000	\$51,750

34. Refer to Camden Company. What is the overhead application rate per machine hour for Processing?
- \$ 0.81
 - \$ 1.24
 - \$17.80
 - \$22.00

ANS: D

Total Applied Overhead	Machine Hours	Rate per Hour
\$55,000	2,500	\$22.00

35. Refer to Camden Co. What is the overhead application rate for Packaging?
- \$ 0.44
 - \$ 2.25
 - \$23.00
 - \$51.75

ANS: B

Total Applied Overhead	Total Direct Labor	Rate per Hour
\$51,750	\$23,000	\$2.25

Tiger Company

Tiger Company has a job order costing system and an overhead application rate of 120 percent of direct labor cost. Job #63 is charged with direct material of \$12,000 and overhead of \$7,200. Job #64 has direct material of \$2,000 and direct labor of \$9,000.

36. Refer to Tiger Co. What amount of direct labor cost has been charged to Job #63?
- \$ 6,000
 - \$ 7,200
 - \$ 8,640
 - \$14,400

ANS: A

Total Applied Overhead	Overhead Application Rate	Direct Labor Charged
\$7,200	120%	\$6,000

37. Refer to Tiger Company. What is the total cost of Job #64?
- \$10,800
 - \$11,000
 - \$21,800
 - \$30,200

ANS: C

Direct Materials	2,000
Direct Labor	9,000
Factory Overhead (\$9,000 * 120%)	10,800
Total Cost of Job 64	21,800

Bradley Company

Bradley Company uses a job order costing system. Assume that Job #504 is the only one in process. The following information is available:

Budgeted direct labor hours	65,000	Budgeted machine hours	9,000
Budgeted overhead	\$350,000	Direct material	\$110,500
Direct labor cost	\$70,000		

38. Refer to Bradley Company. What is the overhead application rate if Bradley uses a predetermined overhead application rate based on direct labor hours (rounded to the nearest whole dollar)?
- \$ 0.20
 - \$ 5.00
 - \$ 5.38
 - \$38.89

ANS: C

Budgeted Overhead	Budgeted Direct Labor Hours	Overhead Application Rate
\$350,000	65,000	\$5.38

39. Refer to Bradley Company. What is the total cost of Job #504 assuming that overhead is applied at the rate of 135% of direct labor cost (rounded to the nearest whole dollar)?
- \$192,650
 - \$268,250
 - \$275,000
 - \$329,675

ANS: C

Direct Materials	110,500
Direct Labor	70,000
Factory Overhead (\$70,000 * 135%)	<u>94,500</u>
Total Cost of Job #504	<u>275,000</u>