

## Cost Accounting

NBA Inc. is engaged in the business of manufacturing basket balls. The company employees actual costing system. The company uses a single account for direct and indirect materials. The company provided the following data for the year ended December 1, 2020:

Gross sales	9,500,000
Sales returns	500,000
Gross purchases	1,000,000
Purchase returns, allowance and discount	200,000
Freight in	400,000
Total costs of factory labor	1,000,000
Depreciation of factory assets	300,000
Expired insurance on factory assets	100,000
Utilities expense on factory	500,000
Total administrative expenses	2,000,000
Total marketing expenses	3,000,000

Inventories are as follows:

	January 1	December 31
Raw materials	100,000	300,000
Work in process	?	200,000
Finished goods	500,000	600,000

The following additional data are provided:

- 1) The net profit ratio of the company before income tax for the year ended December 31, 2020 was 10% of net sales. 9 00 000
- 2) The direct labor cost for the year was four times the cost of indirect labor.
- 3) The cost of indirect materials used was P100,000.

1. What is the total prime cost?  
a. 1,700,000  
b. 2,000,000  
c. 1,800,000  
d. 1,900,000
2. What is the total conversion cost?  
a. 2,000,000  
b. 1,900,000  
c. 2,100,000  
d. 2,200,000
3. What is the cost of goods manufactured?  
a. 3,200,000  
b. 3,100,000  
c. 3,300,000  
d. 3,000,000
4. What are the cost of goods sold and the cost of work in process on January 1, 2020, respectively?  
a. 3,100,000 and 500,000  
b. 3,200,000 and 300,000  
c. 3,000,000 and 400,000  
d. 2,900,000 and 600,000

KMLB Inc. is employing normal costing for its job orders. The overhead is applied using a predetermined overhead rate. The following information relates to the MLB Inc. for the year ended December 31, 2020:

	<b>Job No. 101</b>	<b>Job No. 102</b>	<b>Job No. 103</b>
Job In Process, January 1, 2020:			
Direct Materials	40,000	30,000	
Labor	60,000	40,000	0
Factory Overhead	30,000	20,000	0
Costs added during 2020:			
Materials	20,000	10,000	
Labor	100,000	200,000	
Factory Overhead	?50 000	?100 000	?200000
	-----	-----	-----
	300 000	400 000	700 000

Additional information:

- 1) Actual overhead for the year 2020 amounted to P350,000.
  - 2) Jobs No. 101 and 102 were completed and transferred to finished goods during year 2020.
  - 3) Job No. 101 was sold during year 2020.
  - 4) The gross profit rate is 20% based on cost.
1. What is the total manufacturing cost for 2020?
    - a. 1,400,000
    - b. 1,180,000**
    - c. 480,000
    - d. 1,200,000
  2. What is the cost of goods manufactured for 2020?
    - a. 680,000
    - b. 700,000**
    - c. 580,000
    - d. 780,000
  3. What is the cost of goods sold for 2020?
    - a. 1,180,000
    - b. 300,000**
    - c. 700,000
    - d. 1,200,000
  4. What is the gross profit for 2020?
    - a. 236,000
    - b. 60,000**
    - c. 140,000
    - d. 240,000
  5. What are the cost of work in process on December 31, 2020 and the cost of finished goods on December 31, 2020, respectively?
    - a. 800,000 and 500,000
    - b. 700,000 and 400,000**
    - c. 600,000 and 300,000
    - d. 900,000 and 200,000

NFL Inc. produces sports equipment made to customer's specifications. The following data pertain to Job 101.

	<b>6-month ending June 30, 2020</b>	<b>6-month ending</b>
<b>12/31/2020</b>		
Materials - Dept. 1	P100,000	P200,000
Direct labor rate - Dept. 1	P10/hour	P15/hour
Labor hours used - Dept. 1	4,000 hours	2,000 hours
Direct labor rate - Dept. 2	P20/hour	P30
Labor hours used - Dept. 2	1,000 hours	3,000 hours
Machine hours used - Dept. 2	2,000 hours	1,000 hours

Additional data:

- 1) NFL Inc. determined that the amount of operating expenses is 10% of full production cost of job.
- 2) The company has provided a net profit mark up of 20% based on sales.
- 3) Applied factory overhead:
  - Department 1 P5.00 per direct labor hour
  - Department 2 P2.00 per machine hour

What is the net profit if JOB 101 was completed and sold in year 2020?

- a. 141,900
- b. 193,500
- c. 129,000
- d. 113,520

UFC Inc. applies factory overhead as follows:

<b>Department</b>	<b>Per Machine Hour</b>
Fabricating	P10
Spreading	P20
Packaging	P30

Actual machine hours are:

Fabricating - 2,000 hours

Spreading - 1,500 hours

Packaging - 3,000 hours

The following additional data are provided:

- 1) The actual factory overhead expense for the period is P100,000.
- 2) The ending balance of the inventories and cost of goods sold after the application of overhead are as follows:

Raw materials	200,000
Work in process	100,000
Finished goods	400,000
Cost of goods sold	500,000
- 3) The over/(under) applied overhead during the period is considered material if at least 30% of actual factory overhead.

What is the adjusted cost of goods sold after closing the under/over application of factory overhead?

- a. 460,000
- b. 480,000
- c. 540,000
- d. 483,333

Marawi Company employs normal costing for its production. The following data are provided during the current year:

Net purchases of raw materials during the year	500,000
Total labor costs during the year	800,000
Depreciation of factory assets during the year	100,000
Utilities on the factory during the year	300,000

	<b>Beginning</b>	<b>Ending</b>
Raw materials	200,000	
300,000		
Work in process inventory	500,000	
200,000		
Finished goods inventory	600,000	300,000

- The entity uses a single account for its direct material and indirect materials. Indirect material used is one-fourth of the total material used.
  - The indirect labor cost is 1/8 of the total labor costs.
  - The overhead application rate is 80% of direct labor costs.
  - Any over or under application of overhead is considered material.
1. What is the total manufacturing cost during the current year?
    - a. 1,560,000
    - b. 1,500,000
    - c. 1,640,000
    - d. 1,740,000
  2. What is the cost of goods manufactured during the current year?
    - a. 2,040,000
    - b. 1,860,000
    - c. 1,940,000
    - d. 1,800,000
  3. What is the over or under application of overhead?
    - a. 60,000 over application
    - b. 140,000 under application
    - c. 40,000 under application
    - d. 160,000 over application

Nike Inc. has completed the Job 101, containing 1,100 shoes during 2020 at the following unit costs:

Direct materials	2,000
Direct labor	1,000
Factory overhead (including an allowance of P300 for spoiled work)	1,300

Final inspection of Job 101 disclosed 100 spoiled shoes which were sold to a department for P200,000.

1. What is the unit cost of the good shoes produced on Job 101 if spoilage loss is charged to all production?
  - a. 4,000
  - b. 4,100
  - c. 4,400
  - d. 4,300
2. What is the unit cost of the good shoes produced on Job 101 if spoilage loss is charged to specific Job 101?
  - a. 4,300
  - b. 4,000
  - c. 4,500
  - d. 4,200

For the year ended December 31, 2020, UA Inc. incurred the following costs on Job Order 201 for manufacturing of 500 units:

Original cost accumulation:

Direct materials	500,000
Direct labor	400,000
Factory overhead	100,000

Direct cost of reworking 100 units:

Direct materials	100,000
Direct labor	200,000

1. What is the cost per unit of Job Order 201 if the rework costs were attributable to the exacting specification of Job Order 201?
  - a. 2,600
  - b. 2,500
  - c. 2,700
  - d. 2,200
2. What is the cost per unit of Job Order 201 if the rework costs were attributable to internal failure?
  - a. 2,500
  - b. 2,400
  - c. 2,000
  - d. 2,300

Adidas Inc. is exploring ways to allocate the cost of service departments such as Quality Control and Maintenance to the production departments such as Machining and Assembly. The controller of the company has provided the following information:

	Quality control	Maintenance	Machining	Assembly	Total
Budgeted overhead costs before allocation	P350,000	P200,000	P400,000	P300,000	P1,250,000
Budgeted machine hours	-	-	50,000 hrs	-	50,000 hrs
Budgeted direct labor hours	-	-	-	25,000 hrs	25,000 hrs
Budgeted hours of service of quality control	-	7,000 hrs	21,000 hrs	7,000 hrs	35,000 hrs
Budgeted hours of service of maintenance	10,000 hrs	-	18,000 hrs	12,000 hrs	40,000 hrs

- Under *direct method* of allocating service department costs, what are the total service costs allocated to the machining and assembly departments, respectively?
  - 382,500 and 167,500
  - 300,000 and 130,000
  - 412,500 and 137,500
  - 330,000 and 220,000
- Under the *step-down method* of allocating service department costs from quality control to maintenance, what are the total service costs allocated to the machining and assembly departments, respectively?
  - 372,000 and 178,000
  - 412,500 and 137,500
  - 330,000 and 220,000

- d. 405,000 and 145,000
- 3. Under the *reciprocal method* of allocating service department costs, what are the total amount of quality control costs and total amount of maintenance costs, respectively, to be allocated to the other departments?
  - a. 421,053 and 284,211
  - b. 453,201 and 290,640
  - c. 410,250 and 282,050
  - d. 435,800 and 287,160