

Marcelino Co.'s March 31 inventory of raw materials is \$80,000. Raw materials purchases in April are \$500,000, and factory payroll cost in April is \$363,000. Overhead costs incurred in April are: indirect materials, \$50,000; indirect labor, \$23,000; factory rent, \$32,000; factory utilities, \$19,000; and factory equipment depreciation, \$51,000. The predetermined overhead rate is 50% of direct labor cost. Job 306 is sold for \$635,000 cash in April. Costs of the three jobs worked on in April follow.

Job 306

Job 307

Job 308

Balances on March 31

Direct materials	\$ 29,000	\$ 35,000	
Direct labor	20,000	18,000	
Applied overhead	10,000	9,000	
Costs during April			
Direct materials	135,000	220,000	\$100,000
Direct labor	85,000	150,000	105,000
Applied overhead	?	?	?
Status on April 30	Finished (sold)	Finished (unsold)	in process

PROBLEM SET A

Problem 19-1A

Production costs
computed and recorded;
reports prepared

C2 P1 P2 P3 P4



Required

1. Determine the total of each production cost incurred for April (direct labor, direct materials, and applied overhead), and the total cost assigned to each job (including the balances from March 31).
2. Prepare journal entries for the month of April to record the following.
 - a. Materials purchases (on credit).
 - b. Direct materials used in production.
 - c. Direct labor paid and assigned to Work in Process Inventory.
 - d. Indirect labor paid and assigned to Factory Overhead.
 - e. Overhead costs applied to Work in Process Inventory.
 - f. Actual overhead costs incurred, including indirect materials. (Factory rent and utilities are paid in cash.)
 - g. Transfer of Jobs 306 and 307 to Finished Goods Inventory.
 - h. Cost of goods sold for Job 306.
 - i. Revenue from the sale of Job 306.
 - j. Assignment of any underapplied or overapplied overhead to the Cost of Goods Sold account. (The amount is not material.)
3. Prepare a schedule of cost of goods manufactured.
4. Compute gross profit for April. Show how to present the inventories on the April 30 balance sheet.

Analysis Component

5. The over- or underapplied overhead is closed to Cost of Goods Sold. Discuss how this adjustment impacts business decision making regarding individual jobs or batches of jobs.

check (2) \$5,000
derapplied

(3) Cost of goods
manufactured, \$828,500