1. Knox Company begins operations in on January 1. Because all work is done to customer specification, the company decides to use a job order cost system. Prepare a flow chart of a typical job order system with the arrows showing the flow of cost. Identify the eight transactions.

2. During January, it’s first month of operations, Knox Company accumulated the following manufacturing costs: raw material $4,000 on account, factory labor 6,000 of which $5,200 relates to factory wages payable and $800 relates to payroll taxes payable, and utilities payable $2,000. Prepare separate journal entries for each type of manufacturing cost.

3. In January, Knox Company requisitions raw materials for production as follows: Job 1 $900, Job 2 $1,400, Job 3 $700, and general factory use $600, Prepare a summary journal entry to record raw materials used.

4. The gross earnings of the factory workers for Vargas Company during the month of January are $66,000. The employer’s payroll taxes for the factory payroll are $ 8,000. The fringe benefits to be paid by the employer on this payroll are $6,000. Of the total accumulated cost of factory labor 85% is related to direct labor and 15% is attributed to indirect labor.

(a) Prepare the entry to record the factory labor costs for the month of January.

(b) Prepare the entry to assign factory labor to production.

5. Stine Company uses a job order cost system. On May 1, the company has a balance in Work Process Inventory of $ 3,500 and two jobs in process: Job No. 429 $2,000 and Job No. 430 $1,500. During May, a summary of source documents reveal the following:

|  |  |  |
| --- | --- | --- |
| Job Number | Material Requisition Slips | Labor Time Ticket |
| 429 | $2,500 | $1,900 |
| 430 | $3,500 | $3,000 |
| 431 | $4,400 $10,400 | $7,600 $12,500 |
| General Use |  $ 800 |  $ 1,200 |
|  |  $11,200 |  $13,700 |

Stine Company applies manufacturing overhead to jobs at an overhead rate of 60% of direct labor cost. Job No. 429 is completed during the month.

(a) Prepare summery journal entries to record the requisition slips, the time tickets, the assignment of manufacturing overhead to jobs, and the completion of Job No. 429.

(b) Post the entries to Work in Process Inventory, and prove the agreement of the control account with the job cost sheets using a T-account.