Problem I

The following data (in thousands of dollars) have been taken from the accounting records of ACME Corporation for the completed year.

|  |  |
| --- | --- |
| Sales | $860 |
| Purchase of raw materials | $150 |
| Direct labor | $110 |
| Manufacturing overhead | $210 |
|  |  |
| Administrative expenses | $130 |
|  |  |
| Selling expenses | $180 |
|  |  |
| Raw materials inventory, beginning | $40 |
|  |  |
| Raw materials inventory, ending | $80 |
|  |  |
| Work-in-process inventory, beginning | $20 |
|  |  |
| Work-in-process inventory, ending | $80 |
|  |  |
| Finished goods inventory, beginning | $80 |
|  |  |
| Finished goods inventory, ending | $150 |
|  |  |

On the basis of the data, complete the following:

* Prepare a schedule of cost of goods manufactured in good form.
* Compute the cost of goods sold in all details.
* Prepare the income statement.

Problem II

Morrison and Company uses a predetermined overhead rate. Overhead for the next twelve months is estimated to be $400,000. The company applies overhead as a percentage of direct labor cost, which is estimated to be $500,000 for the next year. During the year, actual direct labor cost amounted to $520,000 and the actual overhead was as outlined below:

|  |  |
| --- | --- |
| Factory rent | $80,000 |
| Indirect materials | $40,000 |
| Indirect labor | $100,000 |
| Maintenance | $80,000 |
| Depreciation | $100,000 |
| Payroll taxes | $80,000 |
| Others | $80,000 |
| **Total** | **$560,000** |

On the basis of the data, complete the following:

* Calculate the overapplied or underapplied overhead for the year.

Support your responses with examples.