Mallet Company has only Job 844 in process on March 1 of the current year. The job has been charged with $2,100 of direct material cost, $2,600 of direct labor cost, and $1,850 of manufacturing overhead cost. The company assigns overhead cost to jobs at a predetermined rate of 71% of direct labor cost. Any underapplied or overapplied overhead cost is closed to Cost of Goods Sold at the end of the month.

During March, the following activity and amounts were recorded by the company:

|  |  |
| --- | --- |
| Raw materials (all direct materials): |   |
| Purchased during the month | $29,600 |
| Used in production | $30,600 |
| Labor: |   |
| Direct labor-hours worked during the month | 2,600 |
| Direct labor cost incurred | $27,000 |
| Indirect labor costs incurred | $5,300 |
| Manufacturing overhead costs incurred (total) | $19,025 |
| Inventories: |   |
| Raw materials (all direct) March 31 | $8,300 |
| Work in process, March 31 | $13,900 |

Work in process inventory contains $5,300 of direct labor cost.

The entry to dispose of the underapplied or overapplied overhead cost for the month would include:



|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  | a debit of $145 to Cost of Goods Sold |
|  |  |  | a debit of $5,300 to Manufacturing Overhead |
|  |  |  | a debit of $145 to Manufacturing Overhead |
|  |  |  | a credit of $5,300 to Cost of Goods Sold |