**EXERCISE 2–1 Compute the Predetermined Overhead Rate [LO3–1]**

Harris Fabrics computes its predetermined overhead rate annually on the basis of direct labor-hours. At the beginning of the year, it estimated that 20,000 direct labor-hours would be required for the period’s estimated level of production. The company also estimated $94,000 of fixed manufacturing overhead expenses for the coming period and variable manufacturing overhead of $2.00 per direct labor-hour. Harris’s actual manufacturing overhead for the year was $123,900 and its actual total direct labor was 21,000 hours.

Compute the company’s predetermined overhead rate for the year.

**EXERCISE 2–3 Computing Job Costs [LO3–3]**

Mickley Company’s predetermined overhead rate is $14.00 per direct labor-hour and its direct labor wage rate is $12.00 per hour. The following information pertains to Job A-500:

table  
Required:

1. What is the total manufacturing cost assigned to Job A-500?
2. If Job A-500 consists of 40 units, what is the average cost assigned to each unit included in the job?

**EXERCISE 2–4 Prepare Journal Entries [LO3–4]**

Larned Corporation recorded the following transactions for the just completed month.

1. $80,000 in raw materials were purchased on account.
2. $71,000 in raw materials were requisitioned for use in production. Of this amount, $62,000 was for direct materials and the remainder was for indirect materials.
3. Total labor wages of $112,000 were incurred. Of this amount, $101,000 was for direct labor and the remainder was for indirect labor.
4. Additional manufacturing overhead costs of $175,000 were incurred.

Record the above transactions in journal entries.

**EXERCISE 2–2 Apply Overhead [LO3–2]**

Luthan Company uses a predetermined overhead rate of $23.40 per direct labor-hour. This predetermined rate was based on a cost formula that estimated $257,400 of total manufacturing overhead for an estimated activity level of 11,000 direct labor-hours.

The company incurred actual total manufacturing overhead costs of $249,000 and 10,800 total direct labor-hours during the period.

Required:

Determine the amount of manufacturing overhead that would have been applied to all jobs during the period.

**EXERCISE 2–7 Underapplied and Overapplied Overhead [LO3–7]**

Osborn Manufacturing uses a predetermined overhead rate of $18.20 per direct labor-hour. This predetermined rate was based on a cost formula that estimates $218,400 of total manufacturing overhead for an estimated activity level of 12,000 direct labor-hours.

The company incurred actual total manufacturing overhead costs of $215,000 and 11,500 total direct labor-hours during the period.

Required:

1. Determine the amount of underapplied or overapplied manufacturing overhead for the period.
2. Assuming that the entire amount of the underapplied or overapplied overhead is closed out to Cost of Goods Sold, what would be the effect of the underapplied or overapplied overhead on the company’s gross margin for the period?

**EXERCISE 2–8 Applying Overhead; Computing Unit Product Cost [LO3–2, LO3–3]**

A company assigns overhead cost to completed jobs on the basis of 125% of direct labor cost. The job cost sheet for Job 313 shows that $10,000 in direct materials has been used on the job and that $12,000 in direct labor cost has been incurred. A total of 1,000 units were produced in Job 313.

What is the total manufacturing cost assigned to Job 313? What is the unit product cost for Job 313?

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|  | **EXERCISE 2–6 Schedules of Cost of Goods Manufactured and Cost of Goods Sold**  Primare Corporation has provided the following data concerning last month's manufacturing operations:  **Required:**   1. Prepare a schedule of cost of goods manufactured for the month. 2. Prepare a schedule of cost of goods sold for the month.   Ending raw material inventory = $25,000; Ending work in process inventory = $43,000 |

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|  | **EXERCISE 2–11 Schedules of Cost of Goods Manufactured and Cost of Goods Sold; Income Statement**  **The following data from the just completed year are taken from the accounting records of Mason Company:**  **Required:**   1. **Prepare a schedule of cost of goods manufactured. Assume all raw materials used in production were direct materials.** 2. **Prepare a schedule of cost of goods sold.** 3. **Prepare an income statement.**   Ending raw material inventory = $8,000; Ending work in process inventory = $16,000 |