

Aufgabe 9.25: Job Order Costing

KEMPDORP Ltd. is a production firm for technical belts (i.e. engine part). The production process is based on a job order costing system. KEMPDORP Ltd. recorded the expenses below during the accounting period 20X5: materials: 100,000.00 EUR, direct labour in the factory: 260,000.00 EUR, labour in the shipping department: 120,000.00 EUR, supplies in the factory: 35,000.00 EUR, depreciation on the production department: 324,000.00 EUR, depreciation on the delivery van: 9,800.00 EUR and non-manufacturing related interest: 57,300.00 EUR.

At the end of the accounting period there is still 12,000.00 EUR materials on stock. Furthermore, there are finished goods on stock which are valued at 59,420.00 EUR. However, all job orders are completed. Overheads are under-applied to an extent of 5 %.

Sales is at 200 % of the cost of manufacturing.

Required: Prepare a WIP account, a Manufacturing Overhead account and an income statement along the cost of sales method for the period that ended on 31.12.20X5. Ignore VAT.

Solution:

The recorded expenses can be assigned to the accounts in the first place:

(1) Allocating direct cost to the WIP-account:

DR WIP-Account	348,000.00 EUR
CR Materials/Inventory	88,000.00 EUR
CR Labour	260,000.00 EUR

(2, 3) Assigning overheads to the Manufacturing Overhead-account.

DR MOH	35,000.00 EUR
CR Supplies	35,000.00 EUR
DR MOH	324,000.00 EUR
CR Depreciation	324,000.00 EUR

(4) Overhead application at 95 %: $0.95 \times (324,000 + 35,000) = 341,050.00$ EUR.

DR WIP-Account	341,050.00 EUR
CR MOH	341,050.00 EUR

(5) Completing job orders $88,000 + 260,000 + 341,050 = 689,050.00$ EUR:

DR FG-Inv	689,050.00 EUR
CR WIP-Account	689,050.00 EUR

(6) Goods are sold except of the closing stock of 59,420.00 EUR. Cost of sales without non-applied overheads equals to $689,050 - 59,420 = 629,630.00$ EUR.

DR COS	629,630.00 EUR
CR FG-Inv	629,630.00 EUR

(7) Sales is $2 \times 629,630 = 1,259,260.00$ EUR. (Note, cost of manufacturing do not contain non-applied overheads!)

DR Cash/Bank	1,259,260.00 EUR
CR Sales	1,259,260.00 EUR

(8) Posting non-applied overheads $5\% \times (324,000 + 35,000) = 17,950.00$ EUR:

DR COS	17,950.00 EUR
CR MOH	17,950.00 EUR

Sales account and all non-manufacturing accounts and the Cost of Sales-account are closed off to the Profit and Loss account. Observe the accounts:

Materials/Inventories			
D			C
given	100,000.00	(1)	88,000.00
		c/d	12,000.00
	<u>100,000.00</u>		<u>100,000.00</u>
b/d	12,000.00		

Labour			
D			C
given	260,000.00	(1)	260,000.00
given	120,000.00	P&L	120,000.00
	<u>380,000.00</u>		<u>380,000.00</u>

Supplies			
D			C
given	35,000.00	(2)	35,000.00

Depr			
D			C
given	324,000.00	(3)	324,000.00
given	9,800.00	P&L	9,800.00
	<u>333,800.00</u>		<u>333,800.00</u>

Interest			
D			C
given	57,300.00	P&L	57,300.00

WIP			
D			C
(1)	88,000.00	(5)	689,050.00
(1)	260,000.00		
(4)	341,050.00		
	<u>689,050.00</u>		<u>689,050.00</u>

Manufacturing Overheads MOH			
D			C
(2)	35,000.00	(4)	341,050.00
(3)	324,000.00	c/d	17,950.00
	<u>359,000.00</u>		<u>359,000.00</u>
b/d	17,950.00	(8)	17,950.00

Finished goods FG-Inv			
D			C
(5)	689,050.00	(6)	629,630.00
		c/d	59,420.00
	<u>689,050.00</u>		<u>689,050.00</u>
b/d	59,420.00		

Cost of sales COS			
D			C
(6)	629,630.00	P&L	647,580.00
(8)	17,950.00		
	<u>647,580.00</u>		<u>647,580.00</u>

Sales			
D			C
P&L	1,259,260.00	(7)	1,259,260.00

Cash/Bank			
D			C
OV			
(7)	1,259,260.00		

Profit and Loss P&L			
D			C
COS	647,580.00	Sales	1,259,260.00
Labour	120,000.00		
Depr	9,800.00		
Int	57,300.00		
EBTc/d	424,580.00		
	<u>1,259,260.00</u>		<u>1,259,260.00</u>
Tax	127,374.00	b/d	424,580.00
R/E	297,206.00		
	<u>424,580.00</u>		<u>424,580.00</u>

Income tax liabilities			
D			C
	127,374.00	Tax	127,374.00
			<u>127,374.00</u>

R/E			
D			C
R/E	297,206.00		297,206.00
			<u>297,206.00</u>

Exhibit 1: Accounts

Kempdorp Ltd.s's
STATEMENT of COMPREHENSIVE INCOME
for the year ended 31.12.20X5

	[EUR]
Revenue	1,259,260.00
Other income	
	<hr/>
	1,259,260.00
COS	647,580.00
non-manufacturing expenses	<hr/>
	129,800.00
Earnings before int and taxes (EBIT)	481,880.00
Interest	<hr/>
	57,300.00
Earnings before taxes (EBT)	424,580.00
Income tax expenses	127,374.00
Deferred taxes	<hr/>
Earnings after taxes (EAT)	297,206.00

Exhibit 2: Statement of comprehensive income