

Assignment 2 (Total Marks = 60 Marks)

Case 1 (Total Marks = 30 Marks)

Joglo Building Pty Ltd is one of the largest manufacturers and marketers of unique, custom-made residential garage doors in Sydney, Australia. It also is a major supplier of industrial and commercial doors, grills and counter shutters for the new construction, repair and remodels markets. Joggle Building Pty Ltd has developed plans for continued expansion of a new network of services operations that sell, install and service manufactured fireplaces, garage doors and related products.

Joggle Building Pty Ltd job order cost and apply overhead to production based on direct labour cost. In computing a predetermined overhead rate for 2023, the company estimated manufacturing overhead to be \$24,000,000 and direct labour cost to be \$20,000,000. In addition, it developed the following information

Actual Costs Incurred During 2022

- | | |
|-------------------------------------|---------------|
| • Direct materials used | \$ 30,000,000 |
| • Direct labour cost incurred | \$ 21,000,000 |
| • Insurance, factory | \$ 500,000 |
| • Indirect labour | \$ 7,500,000 |
| • Factory maintenance | \$ 1,000,000 |
| • Rent on factory building | \$ 11,000,000 |
| • Depreciation on factory equipment | \$ 2,000,000 |

Instructions Answer each of the following

- a) Explain what are the disadvantages of using a process costing system for Joggle Building Pty Ltd? (5 Marks)
- b) Explain On what basis does Joggle Building Pty Ltd allocate its manufacturing overhead? Compute the predetermined overhead rate for 2023. (5 Marks)
- c) Explain and compute the amount of the under or overapplied overhead for 2023. (5 Marks)
- d) Joggle Building Pty Ltd had balances in the beginning and ending work in process, and finished goods account as follows. (5 Marks)

	1 st January 2023	31 st December 2023
Work in process	\$5,000,000	\$4,000,000
Finished Good	\$13,000,000	\$11,000,000

Determine the (1) cost of goods manufactured and (2) cost of goods sold for Joggle during 2023. Assume that any under or overapplied overhead should be included in the cost of goods sold.

- e) In 2023, Job G408 was started and completed. Its cost sheet showed a total cost of \$100,000, and the company prices its product at 25% above its cost. What is the price to the customer if the company follows this pricing strategy? Explain the profit to Joggle building Pty Ltd (10 Marks)

Case 2 (Total Marks = 30 Marks)

Australia Industries Pty Ltd manufactures its products through two production departments. Materials are shaped and cut in the machining department and then fitted together in the assembly department. Up to now, Australia Industries Pty Ltd has used a plant-wide application rate to apply overhead using direct labour hours.

- a. Management wants to investigate the use of departmental overhead application rates and has produced the following estimates for your analysis.

Budget estimates

	Machining	Assembly	Total
Overhead costs	\$18,000	\$10,000	\$28,000
Activity levels			
Machine hours	6,000	1,000	7,000
Direct labour hours	1,000	4,000	5,000

Required:

- i. Calculate a plant-wide application rate based on direct labour hours. (5 Marks)
- ii. Calculate departmental application rates based on machine hours in the machining department and direct labour hours in the assembly department. (5 Marks)
- iii. Explain the difference between plant-wide and departmental budgets in Australia Industries Pty Ltd. (5 Marks)

b. Particular order required the following operating hours:

	Machining	Assembly	Total
Machine hours	5	1	6
Direct labour hours	1	2	3

Required:

Calculate the total amount of overhead charged to production where:

- i. A plant-wide rate is used. (5 Marks)
- ii. a different application rate is used for each department. (5 Marks)
- iii. Explain the difference between plant-wide and departmental in Australia Industries Pty Ltd. (5 Marks)