

Print by: Rhonda Littles
042-1807D-GB519-03-2360076:GB519 Measurement and Decision Making / Unit 2 Lab
Preliminary Assignment

*Problem 4-32 (Part Level Submission)

Crane Wings, Inc. manufactures airplanes for use in stunt shows. Crane’s factory is highly automated, using the latest in robotic technology. To keep costs low, the company employs as few factory workers as possible. Since each plane has different features (such as its shape, weight, and color), Crane uses a job order costing system to accumulate product costs.

At the end of 2016, Crane’s accountants developed the following expectations for 2017 based on the marketing department’s sales forecast:

Budgeted overhead cost	\$1,121,000
Estimated machine hours	54,000
Estimated direct labor hours	11,000
Estimated direct materials cost	\$1,510,000

Crane’s inventory count, completed on December 31, 2016, revealed the following ending inventory balances:

Raw Materials Inventory	\$251,000
Work in Process Inventory	\$626,000
Finished Goods Inventory	\$2,240,000

The company’s 2017 payroll data revealed the following actual payroll costs for the year:

Job Title	Number Employed	Wage Rate per Hour	Annual Salary per Employee	Total Hours Worked per Employee
President and CEO	1		\$223,000	
Vice president and CFO	1		\$177,000	
Factory manager	1		\$40,000	
Assistant factory manager	1		\$33,500	
Machine operator	5	\$14.5		2,250
Security guard, factory	2		\$20,400	
Forklift operator	2	\$7.5		2,000
Corporate secretary	1		\$35,200	
Janitor, factory	2	\$6		2,150

The following information was taken from Crane’s Schedule of Plant Assets. All assets are depreciated using the straight-line method.

Plant Asset	Purchase Price	Salvage Value	Useful Life
Factory building	\$4,000,000	\$150,000	20 Years
Administrative office	\$650,000	\$125,000	30 Years
Factory equipment	\$2,000,000	\$20,000	12 Years

Other miscellaneous costs for 2017 all paid in cash included:

Cost	Amount
Factory insurance (fully expired)	\$13,800
Administrative office utilities	\$5,000
Factory utilities	\$30,800
Office supplies (fully consumed)	\$4,600

Additional information about Crane’s operations in 2017 includes the following:

- Raw materials purchases for the year amounted to \$1,945,000. All materials were purchased on account.
- The company used \$1,870,000 in raw materials during the year. Of that amount, 85% was direct materials and 15% was indirect materials.
- Crane applied overhead to Work in Process Inventory based on direct materials cost.
- Airplanes costing \$3,450,000 to manufacture were completed and transferred out of Work in Process Inventory.
- Crane uses a markup of 80% to price its airplanes. Sales for the year were \$6,570,000. All sales are made on account.
(Note: This transaction requires two journal entries.)

*(a)

Your answer is incorrect. Try again.

What was Crane’s predetermined overhead rate in 2017? **(Round answer to 2 decimal places, e.g. 52.75%.)**

Predetermined overhead rate % of direct materials cost

Attempts: 2 of 2 used

*(b)

Prepare the journal entries to record Crane’s costs for 2017. (Use Salaries Payable and Wages Payable accounts for payroll costs.) **(Credit account titles are automatically indented when the amount is entered. Do not indent manually. Post entries in order presented in the problem. Round answers to 0 decimal places, e.g. 5,275.)**

No.	Account Titles and Explanation	Debit	Credit
1.			
	(To record salaries for president, vice president, and corporate secretary)		
2.			
	(To record salaried factory worker costs)		

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(To record sale of airplanes to customers)

13.

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(To record cost of airplanes sold)

Attempts: 0 of 2 used

***(c)**

The parts of this question must be completed in order. This part will be available when you complete the part above.

***(d)**

The parts of this question must be completed in order. This part will be available when you complete the part above.

***(e)**

The parts of this question must be completed in order. This part will be available when you complete the part above.

***(f)**

The parts of this question must be completed in order. This part will be available when you complete the part above.

***(g)**

The parts of this question must be completed in order. This part will be available when you complete the part above.

***(h)**

The parts of this question must be completed in order. This part will be available when you complete the part above.