

In March, Stinson Company Completes Its Only Two Jobs In Process, Jobs 10 And 11. Job 10 Cost \$20,000

In March, Stinson Company Completes Its Only Two Jobs In Process, Jobs 10 And 11. Job 10 Cost \$20,000. This event marks a significant milestone in the company's manufacturing operations and provides an excellent opportunity to explore key concepts in job order costing, cost accounting, and financial reporting. Understanding how Stinson Company accounts for these jobs can shed light on broader principles used by manufacturing firms to track costs, manage production, and prepare financial statements.

In this article, we will delve into the details of Stinson Company's job completion process, analyze the cost components involved, and examine how these activities impact financial reporting. We will also explore the importance of job costing systems and how they serve as vital tools for managerial decision-making.

Understanding Job Costing and Its Significance

What Is Job Costing?

Job costing is an accounting method used to assign direct costs—such as direct materials and direct labor—to specific jobs or projects. It is especially prevalent in manufacturing environments where products are customized or produced in batches.

In a job costing system, each job is treated as a separate cost object, and all costs attributable to that job are accumulated separately. This allows companies to determine the profitability of individual jobs, monitor cost control, and provide accurate pricing.

The Role of Job Costing in Manufacturing

For companies like Stinson, job costing provides several benefits:

- Cost Control: Identifies cost overruns early.
- Pricing Strategy: Ensures products are priced to cover costs and generate profit.
- Financial Reporting: Facilitates accurate work-in-process and finished goods inventory valuation.
- Performance Evaluation: Assesses the efficiency of production processes.

Details of Jobs 10 and 11 at Stinson Company

Overview of Jobs in Process

As of March, Stinson Company had only two jobs in process:

- Job 10: Completed at a cost of \$20,000.
- Job 11: Still in process at the end of the period.

The completion of Job 10 signifies the movement of costs from work-in-process inventory to finished goods inventory, which is a crucial step in manufacturing operations.

Cost Components of Job 10

The total cost of Job 10 includes:

- Direct Materials: The raw materials directly used in the job.
- Direct Labor: Wages paid to workers who directly worked on the job.
- Manufacturing Overhead: Indirect costs allocated to the job, such as factory rent, utilities, and depreciation.

Suppose, for example, that the \$20,000 cost for Job 10 was composed as follows:

- Direct materials: \$8,000
- Direct labor: \$6,000
- Manufacturing overhead: \$6,000

This breakdown helps management understand the cost drivers and identify areas for efficiency improvements.

Accounting for Job Completion

Transferring Costs from Work-In-Process to Finished Goods

When a job is completed, its total cost is transferred from work-in-process (WIP) inventory to finished goods inventory. This involves journal entries in the accounting records:

- Debit Finished Goods Inventory
- Credit Work-in-Process Inventory

For Job 10, the journal entry would be:

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Debit: Finished Goods Inventory \$20,000  
Credit: Work-in-Process Inventory \$20,000

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This transfer reflects that the product is now completed and ready for sale.

Implications for Financial Statements

This transfer affects the company's financial statements:

- Balance Sheet: Shows increased finished goods inventory.

- Income Statement: When the goods are sold, the associated costs are recognized as cost of goods sold (COGS), impacting gross profit.

Accurate tracking ensures that the company reports precise inventory values and profitability.

Impact of Job Completion on Cost Accounting and Management

Cost Analysis and Control

Completing Jobs 10 and 11 enables management to analyze the costs associated with each job:

- Comparing estimated costs versus actual costs.
- Identifying variances to improve future estimates.
- Ensuring cost efficiency in production.

Pricing and Profitability Assessment

Knowing the exact cost of each job allows Stinson to set appropriate selling prices and evaluate the profitability of individual jobs. This is especially important for custom jobs where margins can vary significantly.

Practical Applications and Considerations

Job Cost Record-Keeping

Effective job cost record-keeping involves:

- Maintaining detailed records of materials, labor, and overhead for each job.
- Updating costs as work progresses.
- Ensuring accurate data for job completion and reporting.

Overhead Allocation Methods

Stinson Company must allocate manufacturing overhead to jobs using a predetermined rate, often based on direct labor hours, machine hours, or materials costs. Proper allocation ensures fair distribution of indirect costs.

For example:

- Overhead Rate = $\text{Estimated Manufacturing Overhead} / \text{Estimated Direct Labor Hours}$
- Applied Overhead = $\text{Overhead Rate} \times \text{Actual Direct Labor Hours}$

Conclusion

The completion of Jobs 10 and 11 at Stinson Company illustrates fundamental principles of job order costing and manufacturing accounting. Accurately assigning costs, transferring completed jobs to finished goods, and analyzing variances are essential processes that support effective management and financial reporting. As companies grow and undertake more complex projects, these systems become even more critical to maintaining profitability and operational efficiency.

Understanding the detailed costs associated with each job enables managers to make informed decisions, optimize production processes, and ensure that financial statements accurately reflect the company's operational status. For stakeholders and investors, transparency in these processes enhances confidence in the company's financial health.

In summary, the events of March at Stinson Company serve as a valuable case study in the practical application of job costing systems, emphasizing their importance in modern manufacturing and business management.

Frequently Asked Questions

What does it mean when Stinson Company completes its only two jobs in process in March?

It indicates that Jobs 10 and 11, the only ongoing projects at that time, have been finished, and their production processes are complete.

How is the cost of Job 10, amounting to \$20,000, relevant for Stinson Company's financial statements?

The \$20,000 cost of Job 10 will be recorded as part of the cost of goods sold once the job is completed and sold, impacting the company's gross profit.

What implications does completing Jobs 10 and 11 have for Stinson Company's production activity in March?

Completing these jobs suggests that production activity for these specific projects has concluded, potentially indicating a period of inventory turnover or sales activity.

How should Stinson Company allocate manufacturing costs to Jobs 10 and 11 upon completion?

Manufacturing costs, including direct materials, labor, and overhead, should be accumulated and assigned to each job based on cost tracking systems to determine total job costs.

What is the significance of Jobs 10 and 11 being the only jobs in process in March for Stinson Company's job costing system?

It simplifies cost tracking and financial reporting, as the company only needs to account for these two jobs during this period, aiding in accurate cost analysis.

After completing Jobs 10 and 11, what are the next steps for Stinson Company in terms of inventory and sales?

The company would typically move the completed jobs to finished goods inventory, and upon sale, recognize revenue and reduce inventory accordingly.

How does the completion of Jobs 10 and 11 impact Stinson Company's cash flow and profitability analysis?

Completing these jobs allows the company to realize revenue from sales, which can improve cash flow and contribute positively to profitability metrics.

Why is it important for Stinson Company to track the costs associated with Jobs 10 and 11 separately?

Tracking costs separately helps in analyzing job profitability, controlling costs, and making informed pricing and production decisions for future jobs.

Additional Resources

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Understanding the intricacies of job costing is vital for manufacturing firms like Stinson Company to accurately monitor expenses, evaluate profitability, and make strategic operational decisions. The completion of Jobs 10 and 11 in March marks a significant milestone, especially considering that these are the company's only jobs in process at that time. While the focus here is primarily on Job 10, which cost \$20,000, an in-depth examination of the broader context, cost components, and implications of this completion provides valuable insights into Stinson's production and accounting practices.

Overview of Job Costing and Its Significance to Stinson Company

What Is Job Costing?

Job costing is a method used by companies that produce customized or unique products to track the costs associated with specific jobs or orders. This approach assigns direct materials, direct labor, and manufacturing overhead to individual jobs, enabling precise calculation of job profitability.

Relevance to Stinson Company

For Stinson Company, employing a job costing system allows:

- Accurate tracking of costs per project
- Better pricing strategies
- Improved control over manufacturing expenses
- Enhanced decision-making regarding production processes

Since the company has only two jobs in process, understanding how these costs accumulate and are finalized is crucial for financial reporting and operational planning.

Details of Jobs 10 and 11 in Process

Current Status of the Jobs

- Both Jobs 10 and 11 have been completed in March.
- Job 10's total cost amounted to \$20,000.
- The completion signifies that all direct materials, direct labor, and applied manufacturing overhead for these jobs have been accounted for and finalized.

Implications of Having Only Two Jobs in Process

- Simplifies cost tracking and analysis
- Focuses managerial attention on the profitability and efficiency of these specific jobs
- Indicates a potentially small-scale or specialized production environment

Breakdown of Job 10 Costs

Direct Materials

- The raw materials directly used in Job 10 are a significant component of the total cost.
- Material costs are traced specifically to the job, providing transparency.
- For Job 10, assume the direct materials cost was a substantial part, perhaps around 40-50% of the

total cost, depending on the nature of the job.

Direct Labor

- Labor costs involve wages paid to workers directly involved in the production of Job 10.
- These wages are calculated based on hours worked multiplied by wage rates.
- For a \$20,000 total cost, direct labor could account for roughly 30-40%, reflecting the labor-intensive nature of the job.

Manufacturing Overhead

- Overhead includes indirect manufacturing costs such as factory rent, utilities, depreciation on equipment, and indirect labor.
- Overhead is typically allocated based on a predetermined rate, often using direct labor hours or machine hours.
- The overhead applied to Job 10 is part of the total \$20,000 and is crucial for accurate costing.

Cost Allocation Methodology

- Stinson Company likely uses a consistent overhead rate, such as a percentage of direct labor costs or machine hours.
- Precise allocation ensures that the cost reflects the resources consumed by Job 10.

Financial and Managerial Implications of Completing Jobs

Impact on Financial Statements

- Completion of Jobs 10 and 11 means these costs are transferred from Work in Process (WIP) to Finished Goods inventory.
- Once sold, these costs are transferred to Cost of Goods Sold (COGS), impacting net income.
- Accurate job costing ensures the financial statements reflect true profitability.

Operational Insights

- Completion indicates efficient progress and timely project management.
- It provides the company an opportunity to evaluate production efficiency and cost control measures.

Cost Control and Future Planning

- Analyzing the \$20,000 cost of Job 10 offers insights into cost drivers.
- Helps in setting benchmarks for future jobs.
- Identifies areas where cost efficiencies can be improved.

Analyzing the Cost Components of Job 10 in Depth

Direct Materials Analysis

- Material selection and procurement strategies directly influence costs.
- Variations in material costs can significantly impact total job costs.
- Efficient inventory management minimizes waste and excess costs.

Labor Cost Analysis

- Worker efficiency, skill levels, and wage rates directly affect labor costs.
- Time-tracking and labor productivity are critical for cost accuracy.
- Overtime or idle time can inflate costs if not managed properly.

Overhead Allocation Analysis

- Proper overhead rate calculation is vital to ensure costs are not over- or under-allocated.
- Overhead expenses such as depreciation, utilities, and maintenance need to be accurately apportioned.
- Variations in overhead rates can influence the perceived profitability of jobs.

Post-Completion Activities and Cost Verification

Cost Reconciliation

- After job completion, a detailed review of actual costs versus estimated costs should be conducted.
- Variance analysis helps in identifying discrepancies and areas for process improvement.

Inventory Management

- Finished goods inventory increases with the completion of jobs.
- Proper recording ensures accurate inventory valuation, which affects balance sheet and income

statement accuracy.

Job Cost Records

- Detailed records should be maintained for each job, including all cost components.
- These records are critical for internal analysis and external reporting.

Broader Business Implications

Pricing Strategies

- Accurate job costs enable Stinson Company to set appropriate selling prices.
- Ensures that each job contributes adequately to covering fixed costs and generating profit.

Profitability Analysis

- By knowing that Job 10 cost \$20,000, management can determine its profitability based on the selling price.
- Helps decide whether to pursue similar jobs in the future or adjust pricing.

Cost Management and Continuous Improvement

- Understanding the detailed breakdown of costs encourages operational efficiency.
- Identifies cost-saving opportunities without compromising quality.

Impact on Future Bidding and Customer Relations

- Precise cost data improves the accuracy of future bids.
- Enhances customer trust by providing transparent and competitive pricing.

Conclusion: Significance of Job Completion and Cost Management

The completion of Jobs 10 and 11 in March is a pivotal event for Stinson Company, especially given that these are their only jobs in process at that time. The fact that Job 10 incurred a cost of \$20,000 underscores the importance of meticulous cost tracking, allocation, and analysis. Such detailed job costing not only affects the company's financial health but also guides strategic decisions, operational

improvements, and customer relationships.

By thoroughly understanding each component—materials, labor, and overhead—Stinson can refine its processes, optimize resource utilization, and enhance profitability. The completion process serves as a critical checkpoint to verify costs, assess efficiency, and prepare for future jobs with better estimates and control measures. Overall, this event exemplifies the vital role of precise job costing in manufacturing management and financial stewardship, reinforcing the company's commitment to operational excellence and sustainable growth.

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