Job Order Costing & POHR Master Reference Sheet

Manufacturing Cost Flows, Predetermined Overhead Allocation & Under/Overapplied Disposition

1. PRODUCT COST TRINITY & POHR FORMULAS

Total Product Cost = Direct Materials (DM) + Direct Labor (DL) + Applied Manufacturing Overhead (MOH)

- **Predetermined Overhead Rate (POHR) = Estimated Total Annual MOH Cost / Estimated Total Allocation Base**
- **Overhead Applied to Job = POHR × Actual Units of Allocation Base Consumed by Job**

2. JOB ORDER COST FLOW JOURNAL ENTRIES

Manufacturing Phase	Journal Entry Format
1. Raw Materials Purchase	Dr. Raw Materials Inventory • Cr. Accounts Payable
2. Requisition into Production	**Dr. Work in Process Inventory (Direct Materials)** **Dr. Manufacturing Overhead Control (Indirect Materials)** Cr. Raw Materials Inventory
3. Factory Labor Incurred	**Dr. Work in Process Inventory (Direct Labor)** **Dr. Manufacturing Overhead Control (Indirect Labor)** Cr. Factory Wages Payable
4. Apply Overhead to Jobs	**Dr. Work in Process Inventory (POHR × Actual Base)** **Cr. Manufacturing Overhead Applied**
5. Job Completed & Sold	*Completion:* Dr. Finished Goods Inv • Cr. Work in Process Inv *Sale:* Dr. Cost of Goods Sold (COGS) • Cr. Finished Goods Inv

3. UNDERAPPLIED VS. OVERAPPLIED OVERHEAD

- **Underapplied (Actual MOH > Applied MOH):** Debit balance in MOH. Cost understated → **Dr. COGS • Cr. MOH**.
- **Overapplied (Actual MOH < Applied MOH):** Credit balance in MOH. Cost overstated → **Dr. MOH • Cr. COGS**.

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