

## B-19.03

Melissa Petersen is a quality control specialist employed by Fenway Racing. Fenway Racing manufactures custom race cars to exact specifications of drivers. Melissa's job is to perform final testing of each car's engine and make final performance related adjustments. Some adjustments involve simple recalibration and consume only indirect materials like lubricants, tape, washers, and screws. Occasionally, a major adjustment is needed, and requires an expensive direct material component. Below is Melissa's materials requisition form for March 7, 20X6:

<b>FENWAY RACING</b>		<b>Materials Requisition</b>		
Employee: Melissa Petersen				
Date: 03/07/X6				
<u>Material</u>	<u>Job Number</u>	<u>Quantity</u>	<u>Per Unit Cost</u>	<u>Extended Cost</u>
Lubricant	indirect material	1 can	\$6 each	\$ 6.00
Valve cover	#11245	2 units	\$140 each	\$ 140.00
Tape	indirect material	1 roll	\$3 per roll	\$ 3.00
Circuit board	indirect material	1 unit	\$940 each	\$ 940.00
Tie rod	#11305	4 units	\$156 each	\$ 624.00
Washers	indirect material	10 units	\$0.10 each	\$ 1.00

- (a) Examine the materials requisition form and find two errors. What is the importance of correctly accumulating materials cost by job? How does the materials requisition form track to the cost assignment process?
- (b) How much of Melissa's material (after making the correction) is attributable to direct material and how much to overhead? How does the direct material cost get assigned to individual jobs, and how does the overhead cost get allocated?