

Ekpro Products manufactures containment chambers for environmentally friendly incinerators. Each chamber is built to customer specifications. Most of the direct labor time is spent on welding activities. Following is the job cost sheet for an incinerator manufactured for Benzate Corporation:

Ekpro											Job Cost Sheet
Job:	Benzate										
	Direct Labor			Direct Material			Applied Overhead			Total	
	Hours	Rate	Total	Qty.	Unit Cost	Total	Qty.	Rate	Total		
May 8, 20X7											
Rod Burner	9	\$25	\$225							\$225	
Sandy Sharp	1	\$12	\$ 12							\$ 12	
Steel				10	\$80	\$800				\$800	
May 9, 20X7											
Sandy Sharp	2	\$12	\$ 24							\$ 24	
Applied Overhead							?	?	\$360	\$360	
	12.00		\$261			\$800			\$360	\$1,421	

- What types of costs do you imagine would be included in factory overhead? If overhead is applied based on direct labor hours, what is the application rate?
- Ekpro is considering installation of a robotic machine that will do all welding operations. How might this decision impact the total overhead and the application method?
- How does the applied overhead relate to the actual overhead? When they are not the same, what happens to the difference? Why is actual overhead not assigned to each job?