Assignment Details: I need help with a response to 2 peers discussion posts  
  
Peer #1-Chelsey,  
Discuss why a predetermined overhead rate is needed and how it is included in product costing.  
The predetermined overhead rate is estimating the overhead cost at the beginning of a period. It is needed so that a company can estimate what each product is costing and account for that cost throughout the period. That is until an accurate allocation can be made at the end of the period, once all costs are known.  
Explain what causes under-allocated and overallocated overhead and what methods are used to eliminate the variance at year-end.  
Underallocated overhead is when the actual overhead cost is more than the allocated overhead cost. Overallocated overhead happens when the actual overhead cost is less than the allocated overhead cost. It doesn’t matter if the overhead cost is underallocated or overallocated, the manufacturing overhead account has to be debited for actual cost and credited for the cost allocated for the jobs (Miller-Nobles & Mattison, 2020). Then the credit or debit must be brought back to zero. If it is underallocated then debit the amount to the cost of goods sold. If it is overallocated then credit the amount from the cost of goods sold.  
Elaborate on the reasons why the amount for cost –of goods sold is different from the cost –of goods manufactured.  
These costs are different because of how they are calculated. The cost of goods manufactured incorporates all the costs it took to manufacture the product like direct material used, all manufacturing costs for the year, and direct labor. The cost of goods sold is the cost based on the finished goods inventory that has been sold (Miller-Nobles &Mattison, 2020).  
  
Explain how the predetermined allocation rate uses an allocation base as a cost driver. Identify what factors are used to determine which cost driver is most appropriate.  
The allocation base is something that links the overhead cost to the products, which is usually the primary cost driver of the manufacturing overhead (Miller-Nobles & Mattison, 2020). This means to find the most appropriate cost driver; you need to find the primary factor that creates cost.  
  
Reference:  
Miller-Nobles/Mattison. (2020). Horngren's accounting: The managerial chapters (7th ed.). Pearson.  
  
Peer #2-Logan,  
Discuss why a predetermined overheard rate is needed and how it is included in product costing.  
I currently see this in my job I am at now. its price per ton of steel compared to hourly average of what it cost to produce that ton. When looking into the cost of a product a lot of factors go into, such as machines needing to run, people needing to work, electrical usage and transportation. This is a blanket that covers the most vital situations but gives a good setup for companies to understand where their marketing needs to be when selling the product at hand.  
  
Explain what causes under-allocated and overallocated overhead and what methods are used to eliminate the variance at year-end.  
Under allocated overhead occurs when actual manufacturing overhead costs are more than allocated manufacturing overhead costs. Overallocated overhead occurs when actual manufacturing overhead costs are less than allocated manufacturing costs. a good example of this in my world is when we have a bad ton turn, meaning that when we have maintenance delays or stoppages, the tons per hour go down, causing the gap between production to sale ratio.  
  
Elaborate on the reasons why the amount for cost –of goods sold is different from the cost –of goods manufactured.  
When producing a final good, a company will add the cost of that production and then choose a theoretical good margin. this can waiver due to customer demand so it's good to set costs higher than a median sell point for chance to negotiate.  
  
Explain how the predetermined allocation rate uses an allocation base as a cost driver. Identify what factors are used to determine which cost driver is most appropriate.  
I spoke on this earlier with machine cost and labor cost. the cost driver is how much one is utilized to produce the final product.  
  
Respectfully,  
  
Logan  
Paper Format: APA