

Dog Treats Inc. makes specialty dog biscuits. Towards the end of 2018, the accountant estimated that 2019 MOH would be around \$34,000. One of the things that the accountant considers when choosing an allocation basis for 2019 is that a large part of MOH is usually the utilities required to run the mixing machines and heat the ovens.

Using 2018 numbers as a starting point, the accountant estimates that Dog Treats will operate its machinery for 1,900 hours in 2019.

During 2019 Dog Treats operates the machinery for 1,970 hours and in 2020 the accountant determined that 2019 MOH costs were \$35,100.

The year for which we need to account for manufacturing overhead (the year we care about) is _____

Step #	When Step is Performed	Procedure
1.		Estimate total manufacturing overhead cost for _____
2.		Choose a cost basis (a cost driver) -- something that you can measure, that is closely linked to MOH costs (e.g. direct labor hours or machine hours or direct labor cost)
3.		Estimate the total number of units of cost basis expected in _____
4.		Calculate MOH allocation rate: estimated MOH costs (from Step 1)
5.		Allocate MOH using MOH allocation rate and ACTUAL number of units of basis
6.		When actual MOH cost for _____ is known, adjust for any under- or over-allocated MOH