



Manufactured Overhead

| DR | CR |
|------------|---------------------------|
| Actuals | Applied |
| (incurred) | (predetermined used rate) |

When the overhead account is debited, it is for actual results related to indirect factory activity such as factory equipment depreciation, indirect salaries, factory insurance, factory rent, and factory utilities.

MOH xxxxxx
Accounts payable xxxxx

When the overhead account is credited it is called it is called applied. The applied is based on a predetermined overhead rate calculated as follows:

$$\frac{\text{Estimated Total Manufacturing Overhead}}{\text{Estimated Total Amount of the Allocation Base}} = \$ \text{ per allocation base (i.e... Machine Hours)}$$

- if applied is more than actual it is over applied
- if applied is less than actual it is under applied
- if under applied the adjustment slash closing entry is:

| | DR | CR |
|-----------------------|-------|-------|
| Cost of goods sold | xxxxx | |
| Manufactured Overhead | | xxxxx |

- if over applied the adjustment slash closing entry is:

| | DR | CR |
|-----------------------|-------|-------|
| Manufactured Overhead | xxxxx | |
| Cost of goods sold | | xxxxx |