

CHAPTER 17: PROCESS COSTING

EXERCISE 1

Samura Company prepares a fertilizer compound by combining a variety of ingredients, blending for a period of time, and bagging the final mixture. All materials are added at the beginning of the process.

- a. On December 1, beginning work in process is 60 percent as to conversion costs. Costs associated with the 5,000 partially completed units are as follows: materials, \$4,500; direct labor, \$600; and overhead, \$3,000.
- b. On December 31, work in process consisted of 8,000 units, 40 percent complete as to conversion costs.
- c. During the month, 70,000 units were transferred to finished goods.
- d. Costs added during the month were as follows:

Materials	\$75,000
Labor	16,000
Overhead.....	88,000

Required:

Prepare a cost of production report for the month of December using the weighted average method.

EXERCISE 2

Required:

Use the information in Exercise 1 to prepare a cost of production report for December using the FIFO method.

EXERCISE 3

Learning Company manufactures a product that passes through two departments, Mixing and Bottling. In the Bottling Department, materials are added at the end of the process. Conversion costs are incurred uniformly throughout the process.

During the month of June, the Bottling Department received 60,000 units from the Mixing Department. The transferred-in cost of the 60,000 units was \$139,800.

Costs added by the Bottling Department during June included the following:

Direct materials.....	\$ 70,400
Direct labor and overhead.....	163,200

On June 1, the Bottling Department had 10,000 units in inventory that were 30 percent complete with respect to conversion costs. The costs associated with the 10,000 units in beginning inventory were as follows:

Transferred-in costs.....	\$23,300
Direct labor and overhead.....	25,500

On June 30, there were 12,000 units of work-in-process ending inventory, one-third complete with respect to conversion costs.

Required:

Prepare a cost of production report using the weighted average method.

EXERCISE 4

The following information is available for the ABC Co. for the month of January. All materials are added at the start of production. All spoilage is abnormal and is detected by the final inspection at the end of the process.

Beginning work in process (80% complete)	8,000 units
Started.....	35,000 units
Ending work in process (55% complete).....	15,000 units
Transferred out.....	24,500 units
Beginning work-in-process costs:	
Materials	\$14,000
Conversion	38,200
Current costs:	
Materials	\$ 50,750
Conversion	173,130

Assume that ABC Co. uses the FIFO method.

Required:

1. Calculate the equivalent units of production for materials and conversion costs.
2. Calculate unit direct materials cost and unit conversion cost.
3. What is the total cost of the units transferred out, the cost of ending inventory, and the cost of spoiled units?