

- E17-21 (L.OBJ. 3) Recording manufacturing costs in a JIT costing system [10–15 min]**
 Smith produces electronic calculators. Suppose Smith's standard cost per calculator is \$26 for materials and \$65 for conversion costs. The following data apply to July production:

Materials purchased	\$ 7,200	
Conversion costs incurred	18,500	
Number of calculators produced		250 calculators
Number of calculators sold		245 calculators

Requirements

1. Prepare summary journal entries for July using JIT costing, including the entry to close the Conversion costs account.
2. The beginning balance of Finished goods inventory was \$1,400. Use a T-account to find the ending balance of Finished goods inventory.

- E17-22 (L.OBJ. 4) Classifying quality costs [5–10 min]**

Millan & Co. makes electronic components. Mike Millan, the president, recently instructed vice president Steve Bensen to develop a total quality control program. "If we don't at least match the quality improvements our competitors are making," he told Bensen, "we'll soon be out of business." Bensen began by listing various "costs of quality" that Millan incurs. The first six items that came to mind were:

- a. Costs incurred by Millan customer representatives traveling to customer sites to repair defective products
- b. Lost profits from lost sales due to reputation for less-than-perfect products
- c. Costs of inspecting components in one of Millan's production processes
- d. Salaries of engineers who are designing components to withstand electrical overloads
- e. Costs of reworking defective components after discovery by company inspectors
- f. Costs of electronic components returned by customers

Requirement

1. Classify each item as a prevention cost, an appraisal cost, an internal failure cost, or an external failure cost.

- E17-23 (L.OBJ. 4) Classifying quality costs and using these costs to make decisions [15–20 min]**

Cleary, Inc., manufactures door panels. Suppose Cleary is considering spending the following amounts on a new total quality management (TQM) program:

Strength-testing one item from each batch of panels	\$ 70,000
Training employees in TQM	27,000
Training suppliers in TQM	32,000
Identifying suppliers who commit to on-time delivery of perfect-quality materials	55,000

Cleary expects the new program would save costs through the following:

Avoid lost profits from lost sales due to disappointed customers	\$ 92,000
Avoid rework and spoilage	66,000
Avoid inspection of raw materials	56,000
Avoid warranty costs	25,000

Requirements

1. Classify each cost as a prevention cost, an appraisal cost, an internal failure cost, or an external failure cost.
2. Should Cleary implement the new quality program? Give your reason.