Lesson 2
Process Cost Accounting

EXAMINATION NUMBER:

06157100

Complete the following exam by answering the questions, compiling your answers in a word-processing file. When you're ready to submit the file, refer to the instructions at the end of the exam. Indicate the question number before each of your answers. Show your work if an answer requires a mathematical solution, and be sure to complete each part of the question.

1. Daniel LLC incurred the following costs in the month of October:

Material	$55,000
Labor	$46,000
Factory Overhead	$23,000

There was no beginning inventory. Ending work in process was 10,000 units at 50 percent complete. 15,000 units were completed and transferred out.

Prepare a cost of production summary for the month, assuming Daniel uses the average cost method of process costing. (This problem is worth 20 points.)

Examination

2. Consider the following cost of production summary for Carrigan Products for May:

Carrigan Products
Cost of Production Summary
For the Month Ended May 31, 20—

Cost of work in process, beginning of month:		
Materials	$8,200	
Labor	5,500	
Factory overhead	2,000	$15,700
Cost of production for month:		
Materials	$24,000	
Labor	17,600	
Factory overhead	16,900	58,500
Total costs to be accounted for		$74,200
Unit output for month:		
Finished and transferred to finished goods		2,000
Equivalent units of work in process,		
end of month (1,000 units, 80% completed)		800
Total equivalent production		2,800
Unit cost for month:		
Materials [($8,200 + $24,000) ÷ 2,800]		$11.50
Labor [($5,500 + $17,600) ÷ 2,800]		8.25
Factory overhead [($2,000 + $16,900) ÷ 2,800]		6.75
Total		$26.50
Inventory costs:		
Cost of goods finished and transferred to		
finished goods during month: (2,000 × $26.50)		$53,000
Cost of work in process, end of month:		
Materials (1,000 × .8 × $11.50)	$9,200	
Labor (1,000 × .8 × $8.25)	6,600	
Factory overhead (1,000 × .8 × $6.75)	5,400	21,200
Total production costs accounted for		$74,200

a. Prepare the journal entries to record the production activity.
b. Prepare the Statement of Cost of Goods Manufactured for May.

(This problem is worth 20 points.)

3. Howard Corporation has two production departments. Curing has 12,000 units in process at the beginning of the period, three-fourths complete. During the period, 45,000 units were received from Crushing, 48,000 units were transferred to Finished Goods, and 9,000 units were in process at the end of the period, 2/3 complete. Cost information was as follows:

Cost of beginning work in process:	
Cost in Crushing	$21,640
Cost in Curing:	
Materials	8,810
Labor	1,190
Factory overhead	2,420
Costs during the month:	
Cost of goods received from Crushing	$ 85,520
Cost in Curing:	
Materials	53,830
Labor	10,690
Factory overhead	17,560
Total costs to be accounted for	$201,660

a. Determine the unit cost for the month in Curing.
b. Determine the total cost of the products transferred to finished goods.
c. Determine the total cost of the ending work in process inventory.

(This problem is worth 10 points.)

4. Information for Chaucer, Ltd. in July for the Prep Department, the first stage of the production cycle, is as follows:

	Materials	Conversion Costs
Beginning work in process	$8,100	$6,200
Costs added during July	23,400	13,400
Total costs	$31,500	$19,600

Goods completed	60,000 units
Ending work in process	15,000 units

Material costs are added at the beginning of the process. The ending work in process is two-thirds complete as to conversion costs. How would the total costs accounted for be distributed using the average cost method? (This problem is worth 15 points.)

5. Howard Poster Incorporated had 12,000 units of work in process in Department A on October 1. These units were 60 percent complete as to conversion costs. Materials are added in the beginning of the process. During the month of October, 38,000 units were started, and 40,000 units were completed. Howard had 10,000 units of work in process on October 31. These units were 75 percent complete as to conversion costs.

   a. Compute the equivalent units for materials and conversion costs for the month of October using the FIFO method.
   b. Using the average cost method, determine the equivalent units for materials and conversion costs for the month of October.

   (This problem is worth 20 points.)

6. Jim Davis Company processes pork into three products—chops, bacon, and sausage. Production and selling price data follow:

Chops	100,000 lbs.	$5.00/lb.
Bacon	210,000 lbs.	$4.00/lb.
Sausage	410,000 lbs.	$2.00/lb.

   Pork is processed in the Processing Department. From the split-off point, bacon is smoked, sliced, and packaged in the Bacon Department. The cost incurred for these processes was $100,000. In addition, sausage was ground and formed into patties in the Sausage Department after the split-off. This process cost $60,000.

   a. If joint processing costs were $1,500,000, calculate the total cost of each product using the adjusted sales value method.
   b. Prepare the journal entries to (1) record the joint processing and movement of product out of the Processing Department after the split off, and (2) record the additional processing and completion of the bacon and sausage.

   (This problem is worth 15 points.)

SUBMITTING YOUR PROJECT

Once you've completed the project and your **one file** is ready to be submitted, follow the instructions below. Be sure to check your work, and be sure to upload the correct file.

Submit your graded project online.

Save a final version of your project. Be sure to include your name, student number, and exam number in the header or the footer of your saved document. The graded project number is **061571.**

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Be sure to keep a backup copy of your completed assignment.

Good luck with the project!