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BIRZEIT UNIVERSITY

Faculty of Business and Economics \ Accounting Department

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Question One 15

Factory that produces cars and the material is added at the beginning. The conversion cost is added as needed during the productions. The factory uses process costing system. The spoilage is deducted upon inspection at the end of production process. The normal spoilage rate is 10% of good units.

	Physical Units	Direct Material	Conversion cost	Total cost
Work in process Beginning inventory	1500	12000	9000	21000
Degree of completion		100%	60%	
Started during May	8500			
Good units completed and transfer out during May	7000	100%	100%	
work in process Ending inventory	2000			
Degree of completion ending work in process		100%	50%	
Total cost added during May		76500	89100	165600
Normal spoilage as percent of good units	10%			
Degree of completion normal spoilage		100%	100%	
Degree of completion abnormal spoilage		100%	100%	

Required: Assign the total cost to units completed and transferred out including normal spoilage, abnormal spoilage and ending work in process using WA Method

	physical unit	DM	Con.C
Beg WIP	1500		
started	8500		
to be accounted for	10,000		
good comp	7,000	7000	7000
normal	700	700	700
Abnormal	300	300	300
End	2000	2000	1000
	10000	10,000	9000

equivalent unit

Cost:	DM	con. Cost	total
Beg WIP	12,000	9000	21,000
added	76500	89100	165600
total cost accounted for	88500	98100	$186600
equivelent unit	÷10000	÷9000	
C/Eu.	$8.85	$10.9	

assignment cost good comp	DM	con	total
Normal	(7000 X 8.85)	+ (7000 X 10.9) =	138,250
Abnormal	(700 X 8.85)	+ (700 X 10.9) =	13825
Ending	(300 X 8.85)	+ (300 X $0.9) =	5925
	(2000 X 8.85)	+ (1000 X 10.9) =	28600
			$186,600

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Question Two

Bookworm, Inc., has two departments: printing and binding. Each department has one direct-cost category (direct materials) and one indirect-cost category (conversion Costs). This problem focuses on the binding department. Books that have undergone the printing process are immediately transferred to the binding department. Direct material is added when the binding process is 80% complete. Conversion costs are added evenly during binding operations. When those operations are done, the books are immediately transferred to Finished Goods. Bookworm, Inc., uses the FIFO method of process costing. The following is a summary of the April 2012 operations of the binding department.

	Physical Units	Transf.-In	DM	CC
Beginning work in process	1,050			
Degree of completion, beginning work in process		100%	0%	50%
Transferred in during April 2012	2,400			
Completed and transferred out during April	2,700			
Ending work in process (April 30)	750			
Degree of completion, ending work in process		100%	0%	70%

Required: Compute the total equivalent units using FIFO Method

physical unit T.I DM CC

Beg WIP 1050

~~transferred~~ ~~2400~~

~~Comp~~ ~~2700~~

2400

Transfered ~~3450~~

~~to be accounted~~ 3450

~~for~~ for

2700 completed

Beg WIP	1050	0	1050	525
~~added~~ during the period	1650	1650	1650	1650
End	750	750	0	525
	3450	2400	2700	2700

Question Three

You have following data about KBG Company for 2013: Sales 2000 units, sales price $100, Production during the year 2500 units, Variable Manufacturing cost $50 per unit, Fixed Manufacturing Cost for the dominator level of 3000 units is $30000, Variable Marketing Cost $30 per unit sold. 10

~~30~~

Required: 1. Production Volume Variance under absorption costing method

~~Fixed~~ (

10 (3000 - 2500) = 5000

30,000 / 3000

unfavarel

2. Gross margin under variable costing method

Rev 2000 X 100 200,000

Beg 0

Production 2500 X 50 125 000

End 500 X 50 (250,000)

V. CGS (100,000)

V. Mark 30 X 2000 (60,000)

gross margin 40,000

Beg 2000
Prod 10,000
available = 12000
- End Inv = 4000
unit sale 8000

total cost
DM + DL + OH
100 + 40 + 50
190

Question Four

The following information related to Delyn Manufacturing Company for 2013:

Inventory Beg	2000 Units	Direct Material Cost per Unit	$100
production	10000 Units	Direct Manufacturing Labor Cost per Unit	$40
Inventory End	4000 Units	Variable Manufacturing Overhead Cost per Unit	$50
ing price selling	$625	Variable Marketing Cost per unit sold	$200
tical Capacity for 300 days (30 units day) practical	9000 units	Fixed O.H. Cost	$1200000
oretical Capacity for 360 days (30 units daily) theoretical	10800 units	Fixed Marketing Cost	$100000

Required: Compute the operating income using Absorption Costing Method assuming the fixed O.H. cost allocated to: 1. Theoretical Capacity

Rev 5,000,000
8000 X 625

Beg 602,220
2000 X (190 + 111.11)
301.11

Production 3,011,100
10,000 X 301.11

End Inv (1,264,446)
4000 X 301.11

C.G.S (2,408,880)

Production Volum variance (88888)
800 X 111.11

C.M 2502232

other exp
V. Mark (1600000)
200 X 8000
F. Mark (100,000)

Operating Income 802232

1,200,000 / 10800 = 111.11

total cost
V + F
111.11 + 190
301.11

2. Practical Capacity ⇒ 1200,000 / 9000 = 133.33 (Fixed per unit)

Rev 5,000,000

Beg 646,660
2000 X 323.33

Production 3,233,300
10,000 X 323.33

Ending (1,293,320)
4000 X 323.33

CGS (2586640)

Production Volum variance
133,330
133.33 (9000 - 10000)

CM 2546690

other exp
F. Marketing (100,000)
V. Mark (1,600,000)
200 X 8000

operating Income 846690

+ variable per unit 190
total 323.33