**Question I**

Consider the following scenario:

Bob and Nancy have recently expanded their educational film business. They did so by producing thirty-second television advertisements for a regional television market in southern Colorado. They began their business fifteen years ago with a contract to film training videos for the US Army. That side of their business continues to provide a steady revenue base, which is currently about 40% of the total revenue.

Nancy is also the firm's accountant. She paid a visit to your accounting class last week. During her visit, she made a presentation detailing her firm's costing activities. Nancy made a particular statement in that presentation: "Since our contract for military training films requires us to detail all costs, we use the process cost method that gives the maximum amount of fixed overhead cost. This almost covers all of our overhead, giving us an edge in competitively pricing our thirty-second TV advertisements, and explains why we have grown so much in this sector of our business."

Considering the statement that Nancy made, respond to the following questions:

Evaluate whether there is an ethical problem with process costing approach. Support your response with a suitable example.

Determine whether process costing method represents acceptable accounting procedure.

Analyze whether Nancy can employ process costing method to assist in making decisions regarding sustainability. Illustrate through relevant research.

**Question II**

Many cost accountants stress that cost accumulation is simpler in a process costing system than that in a job-order costing system. Discuss whether or not the assertion is true. Give examples.

**Problem I**

Working-in-process Costing

In this assignment, you will examine and analyze the given problems. Based on the situations in these problems, perform the necessary computations for the questions provided for each problem in a Microsoft Excel worksheet.

Problem I

Fremont Company uses process costing. The following data are available for the month of June:

* Materials purchased: $800,000
* Materials used:
  + Direct materials:
    - Department A: $350,000,
    - Department B: $200,000.
  + Indirect materials: $20,000.
* Factory payroll incurred: $600,000:
  + Direct labor:
    - Department A: $300,000
    - Department B: $200,000.
  + Indirect labor: $100,000.
* Other factory overhead incurred: $40,000:
  + Power and light $12,000
  + Depreciation $20,000
  + Property tax $5,000
  + Insurance $3,000
* Factory overhead cost was allocated equally to Department A and Department B.
* Department A completed and transferred to department B $600,000.
* Department B completed and transferred to Finished Goods Inventory account $1,000,000.

Using the data given, compute ending work-in-process inventories in Department A and Department B.

**Problem II**

Johnson Company uses the weighted average method in its process costing system. The curing department of Johnson Company reported the following information for the month of November:

|  |  |  |
| --- | --- | --- |
|  | **Units** | **Percentage Complete With Respect to Conversion** |
| Work-in-process, November 1 | 10,000 | 80% |
| Units started | 28,000 |  |
| Completed and transferred out | 30,000 |  |
| Work-in-process, November 30 | 8,000 | 30% |
|  |  |  |
| Costs for November | **Materials** | **Conversion** |
| Work-in-process, November 1 | $34,500 | $48,600 |
| Added during the month | $146,000 | $194,400 |

All materials are added at the beginning of the process.

On the basis of the data , compute the following items using the weighted average method:

* The equivalent units of production for materials
* The cost per equivalent unit for conversion
* The total cost assigned to units transferred out of the curing department during November
* The cost assigned to work-in-process inventory as of November 30.

Support your responses with examples.