Chapter 18

1. D 1. Data for Osaka Corporation for the month of June 20xx are as follows:

|  |  |
| --- | --- |
| Beginning work in process inventory: | Operations for the month of June: |
|  Units—800  |  Units started—14,000 |
|  Direct materials—100% complete |  Direct materials costs—$57,400 |
|  Conversion costs—70% complete |  Conversion costs—$50,122 |
|  Direct materials costs—$2,860 |  |
|  Conversion costs—$2,150 |  |
| Ending work in process inventory: |  |
|  Units—1,500 |  |
|  Direct materials—100% complete |  |
|  Conversion costs—30% complete |  |

Assume the company uses average costing method.

Prepare a process cost report for June.

a.

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| Osaka CorporationProcess Cost Report: Average Costing MethodFor the Month Ended June 30, 20xx |
|  | Physical Units |  |
| Beginning inventory |  | Equivalent Units |
| Units started this period |  | Direct Materials | % | Conversion Costs | % |
| Units to be accounted for |  |  |  |  |  |
| Units completed and transferred out | , |  |  |  |  |
| Ending inventory |  |  |  |  |  |
| Units accounted for |  |  |  |  |  |
|  | Total Costs | Direct Materials  | Conversion Costs |
|  |  |  |  |
| Beginning inventory |  | = |  | + |   |
| Current costs |  | = |  | + |  |
| Total costs |  |  |  |  |  |
| Equivalent Units |  |  |  |  |  |
| Cost per equivalent unit | . |  | \*Rounded to nearest cent | + | \*Rounded to nearest cent |
| Cost of goods manufactured and transferred out: |  |  |  |  |  |
| Units completed and transferred out (Cost of goods manufactured) |  |  |  |  |  | + |  |  |  |
| Ending inventory |  |  |  |  |  | + |  |  |  |
| Total costs | \* | \*The difference in total cost is due to rounding off. |

2. n'2. Plastics, Inc., manufactures a line of office desk accessories. The company's newest and most popular product is a plastic paper holder for holding the paper up while working at the computer. Production began on February 1, 20xx. Plastic is poured into molds to form the product, and the entire process takes place in the Molding Department. After the liquid plastic is poured (signifying the beginning of the process), the molds must be cooled slowly before the paper holder is separated from the mold. Statistics for 20xx are shown below.

|  |  |
| --- | --- |
| Beginning inventory | 0 |
| Units started | 77,000 |
| Costs: Direct materials costs | $246,400 |
|  Conversion costs | $334,840 |
| Units completed and transferred to the Packaging Department | 72,500 |

Ending work in process inventory: All direct materials were added at the beginning of the process, and the average stage of completion of these units as to conversion costs is 80 percent.

No units were lost or spoiled during the year.

a. Prepare a process cost report using the FIFO costing method for the Molding Department using five steps. Include T accounts to recap both costs and units for the Work in Process Inventory account.

b. Identify the amount to be transferred out of Work in Process Inventory and prepare the necessary entry in journal form to do so.

a.

|  |
| --- |
| Plastics Inc.Process Cost Report (FIFO) |
|  | PhysicalUnits | **Equivalent Units** |
| Beginning Inventory |  | DirectMaterials | % | ConversionCosts | % |
| Units to be accounted for |  |
| Units completed and transferred out |  |  |  |  | % |
| Ending Inventory |  |  |  |  |  |
| Units accounted for |  |  |  |  |  |
|   | TotalCosts | Direct Materials | Conversion Costs |
| Beginning Inventory |  | = | - | + | - |
| Current Costs |  | = |  | + |  |
| **Total costs** |  | = |  | + |  |
| Current CostsEquivalent Units |  |  |  |
| Costs per equivalentunit |  | = |  | + |  |
| Units Completed and transferred out |  | = |  | x |  | + |  | x |  |
| Ending Inventory |  | = |  | x |  | + |  | x |  |
| **Total Costs** |  |  |



b. Transfer $\_\_\_\_\_\_\_\_\_ to \_\_\_\_\_\_\_\_\_\_ and prepare the necessary journal entry in good form to make the transfer