

THIS IS HOW THE DOCUMENT APPEARS IN CALC

The Golf Company manufactures golf balls using a two state production process. Materials are added at the beginning of the first stage and at the end of the second stage. Information below is from the second stage. Conversion costs are incurred uniformly in the second stage.

<u>Unit Information</u>	<u>Units</u>	<u>Conversion Percent Complete</u>		
Beginning WIP Inventory	1,800	50%		
Ending WIP Inventory	1,300	30%		
Transferred In During the Current Period	13,000			
			This Department's Costs	
	<u>Transferred</u>	<u>Conversion</u>	<u>Direct</u>	<u>Total</u>
<u>Costs</u>	<u>In Costs</u>	<u>Costs</u>	<u>Materials</u>	<u>Costs</u>
Beginning WIP Inventory	\$2,400	\$5,000	\$0	\$7,400
Current Period Costs	<u>9,440</u>	<u>14,446</u>	<u>6,750</u>	<u>30,636</u>
Total Costs	\$11,840	\$19,446	\$6,750	\$38,036
	=====	=====	=====	=====

Required: Using a weighted average cost flow, calculate the amount of the ending WIP inventory and the cost of the units transferred out of the second stage of processing.

Step 1: Reconcile Input Units and Output Units

<u>Input Units</u>		<u>Output Units</u>	
BWIP	1,800	Units Finished (plug)	13,500
Units Started Into Production	<u>13,000</u>	EWIP	<u>1,300</u>
Total	14,800	Total	14,800
	=====		=====

Step 2: Output Units from Step 1: Actual Units and Equivalent Whole Units

	<u>Physical Units</u>	<u>Transferred In</u>	<u>Conversion</u>	<u>Materials</u>
Units Transferred Out	13,500	13,500	13,500	13,500
Ending Work-in-Process Inventory	<u>1,300</u>	<u>1,300</u>	<u>390</u>	<u>0</u>
Totals	14,800	14,800	13,890	13,500
	=====	=====	=====	=====

Step 3: Calculate Unit Costs Using Cost Information and Equivalent Unit Information from Step 1 above.

	<u>Transferred In</u>	<u>Conversion</u>	<u>Direct Materials</u>	100% Complete <u>Unit Cost</u>
Costs of Beginning WIP Inventory	\$2,400	\$5,000	\$0	
Current Period Costs	<u>9,440</u>	<u>14,446</u>	<u>6,750</u>	
Totals	\$11,840	\$19,446	\$6,750	\$38,036
Divided by Equivalent Whole Units	<u>14,800</u>	<u>13,890</u>	<u>13,500</u>	=====
Equals Per Unit Cost	\$0.80	\$1.40	\$0.50	\$2.70
	=====	=====	=====	=====

Step 4: Apply Unit Costs from Step 2 to Transferred Out Units and Ending WIP

	<u>Equivalent Whole Units</u>	<u>Unit Cost</u>	<u>Total Cost</u>
Units Transferred Out	13,500	\$2.70	\$36,450.00
Ending WIP Inventory:			<u>Subtotals</u>
Transferred In Costs	1,300	\$0.80	\$1,040.00
Conversion Costs	390	1.40	\$546.00
Direct Materials Costs	0	0.50	<u>0.00</u>
Total Cost of Ending WIP Inventory			<u>1,586.00</u>
Total Costs Accounted For			\$38,036.00
			=====

Now, compare the total costs accounted for above, with the all costs given in the data section of the problem. They should be the same. As for where these final numbers go, see below.

	<u>Work-in-Process Inventory</u>		
Beg Balance	7,400		
Transferred-in Costs	9,440		
Direct Materials	6,750	36,450	Finished Processing
Direct Labor & Overhead	14,446		
Ending Balance	1,586		

THIS IS HOW THE DOCUMENT APPEARS WHEN PASTED INTO WRITER AS A GDI METAFILE OBJECT. THERE ARE NO UNDERLININGS!!!

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