

PROCESS COSTING

1

Comparing Job Costing and Process Costing

Job costing

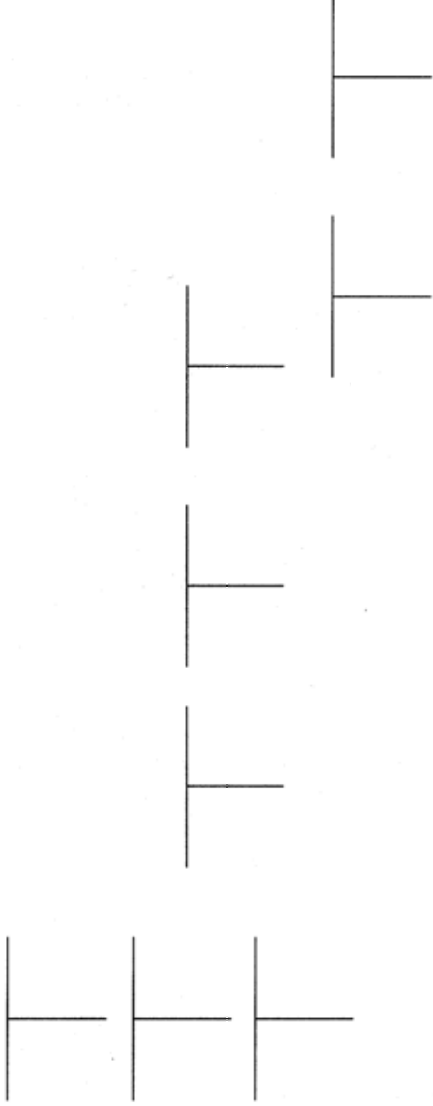
- ❖ Costs accumulated by
- ❖ Work in process has a
- ❖
- ❖

Process costing

- ❖ Costs accumulated by
- ❖ Work in process has a
- ❖
- ❖

2

1. Process Costing Flows



2. The Concept of Equivalent Units

3

Builder Products, Inc., manufactures a caulking compound that goes through three processing stages prior to completion. Information on work in the first department, Cooking, is given below for May:

Production data:	
Units in process, May 1; 100% complete as to materials and 80% complete as to labor and overhead	10,000
Units started into production during May	100,000
Units completed and transferred out	95,000
Units in process, May 31; 60% complete as to materials and 20% complete as to labor and overhead	?

Cost data:	
Work in process inventory, May 1:	
Materials cost	\$ 1,500
Labor cost	1,800
Overhead cost	5,400
Cost added during May:	
Materials cost	154,500
Labor cost	22,700
Overhead cost	68,100

Materials are added at several stages during the cooking process, whereas labor and overhead costs are incurred uniformly. The company uses the weighted-average method.

Prepare a production report for the Cooking Department for May. Use the following three steps in preparing your report:

1. Prepare a quantity schedule and a computation of equivalent units.
2. Compute the costs per equivalent unit for the month.
3. Using the data from (1) and (2) above, prepare a cost reconciliation.

4

PROCESS COSTING

Effort % Last Period			Physical Units	Effort % This Period			Equivalent Units		
DM	DL	MOH		DM	DL	MOH	DM	DL	MOH

DM	DL	MOH	WIP Costs \$