PROCESS COSTING

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
1. **Process Costing Flows**

2. **The Concept of Equivalent Units**

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.
PROCESS COSTING

<table>
<thead>
<tr>
<th>Effort % Last Period</th>
<th>Physical Units</th>
<th>Effort % This Period</th>
<th>Equivalent Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>DM</td>
<td>DL</td>
<td>MOH</td>
<td>DM</td>
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<table>
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