Multiple Choice Questions

1. In order to compute equivalent units of production using the Weighted Average method of process costing, the following equation should be used:
   a) Equivalent units of beginning work in process + units completed and transferred out
   b) Equivalent units of beginning work in process + equivalent units of ending work in process
   c) Units completed and transferred out + equivalent units of ending work in process
   d) Units completed and transferred out + equivalent units of beginning work in process

2. If beginning work in process is 2,000 units, ending work in process is 1,000 units, and the units accounted for equals 5,000 units, what are the units completed and transferred out?
   a) 7,000
   b) 6,000
   c) 4,000
   d) 2,000

3. S Company had the following department information about physical units and percentage of completion:

	Physical Units
Work in process, May 1 (60%)	36,000
Completed and transferred out	90,000
Work in process, May 31 (40%)	30,000

   If materials are 100% complete at the beginning of the production process, what is the total number of equivalent units for materials during May?
   a) 66,000
   b) 120,000
   c) 156,000
   d) 102,000

4. S Company had the following department information about physical units and percentage of completion:

	Physical Units
Work in process, May 1 (60%)	36,000
Completed and transferred out	90,000
Work in process, May 31 (40%)	30,000

   If materials are 100% complete at the beginning of the production process, what is the total number of equivalent units for conversion during May?
   a) 66,000
   b) 120,000
   c) 156,000
   d) 102,000

5. One characteristic of products that are mass-produced in a continuous production process is that

a) The products are identical or very similar in nature.
b) They are grouped in batches.
c) They are produced at the time an order is received.
d) Their costs are accumulated on job cost sheets.

6. Conversion costs are the sum of:
a) Direct materials costs and direct labor costs
b) Indirect materials costs and indirect labor costs
c) Direct materials costs and overhead costs
d) Direct labor costs and overhead costs

The next 3 questions refer to the following information.
In the month of June, department X had 10,000 units in beginning work in process that were 70% complete. During June, 40,000 units were completed and transferred into production from another department. At the end of June, there were 5,000 units in ending work in process that were 40% complete. Materials are added at the beginning of the process, while conversion costs are incurred uniformly throughout the process. The total cost for materials was $450,000 and conversion was $400,000.

7. What was the unit materials costs in June?
a) $8.18
b) $9.00
c) $10.00
d) $10.71

8. What was the unit conversion cost in June?
a) $7.27
b) $7.69
c) $8.88
d) $9.52

9. What was the total manufacturing cost per unit?
a) $19.52
b) $17.69
c) $17.97
d) $18.88

10. A production cost report
a) Used to record the costs chargeable to a specific job
b) Shows only cost data for a production department
c) Provides a basis for evaluating the productivity of a department
d) Combines process cost and job order costing systems costs

11. Which is not a similarity between job order costing and process costing?
a) Methods of assigned costs
b) Tracking of direct materials, direct labor and manufacturing overhead
c) Accumulating journal entries
d) Flow of costs

12. The journal entry that assigns raw materials costs in a process costing system includes
    a) Debit to raw materials
    b) Credit to raw materials
    c) Debit to Accounts Payable
    d) Credit to Work in Process

13. Calculating equivalent units in a weighted average method:
    a) The beginning inventory percentage complete is used only for conversion costs
    b) The beginning inventory percentage complete is used for both material and conversion costs
    c) The beginning inventory amount is not accounted for
    d) The beginning inventory amount is used in total

14. B Company has the following production information available for June:

Total materials costs	$ 80,000
Equivalent units of materials	10,000
Total conversion costs	$120,000
Equivalent units of conversion costs	20,000

    What is the total manufacturing cost per unit?
    a) $14.00
    b) $6.67
    c) $6.00
    d) $8.00

15. In a process costing system, manufacturing overhead is assigned to work in process by
    a) Department based on actual overhead costs incurred
    b) Department based on predetermined overhead rates
    c) Job based on actual overhead costs incurred
    d) Job based on predetermined overhead rates

Problems

Practice Problem #1

M Company must transfer the costs of completed gallons of house paint from the Mixing Department to the Finishing Department at month end. The amount being transferred is $2,136,750.

Required: Prepare journal entry to record this transaction

Practice Problem #2

The finishing department had 5,000 incomplete units in its beginning Work-in-Process Inventory which were 100% complete as to materials and 30% complete as to conversion costs. 15,000 units were received from the previous department. The ending Work-in-Process Inventory consisted of 2,000 units that were 50% complete as to materials and 30% complete as to conversion costs. The Finishing Department uses weighted average process costing.

Required:
a) How many units were completed and transferred-out during the period?
b) What are the equivalent units of production for the materials costs during the period?
c) What are the equivalent units of production for the conversion costs during the period?

Practice Problem #3

M Corporation uses the Weighted Average method in its process costing system. Operating data for the Casting Department for the month of September appear below:

	Units	% Complete Conversion Cost
Beginning work in process inventory	15,000	20%
Transferred in from prior department	89,000	
Ending work in process inventory	24,000	90%

Materials are 100% as the beginning of production. The beginning work-in-process materials cost were $10,100. An additional cost of $424,620 were added during the month. According to the company's records, the conversion cost in beginning work-in-process inventory was $15,660 at the beginning of September. Additional conversion costs of $526,884 were incurred in the department during the month.

Required:
a) What would be the cost per equivalent unit for material and conversion costs?
b) What is the amount of cost assigned to completed and transferred out?
c) What is the amount of cost assigned to ending inventory? Hint: make sure total costs reconcile.

Solutions

1. C
2. C
3. B
4. D
5. A
6. D
7. C
8. D
9. A
10. C
11. A
12. B
13. C
14. A
15. B

Solution #1

Work in Process – Finishing	2,136,750	
Work in Process – Mixing		2,136,750

Solution #2

	Physical Units	Materials	Conversion
Beginning balance	5,000		
+ Started into production	15,000		
= Units to be Accounted For	20,000		
Completed and Transferred Out:	18,000*	18,000	18,000
+ Ending balance	2,000	1,000	600
= Units Accounted For	20,000	b) 19,000	c) 18,600

- a) 20,000- 2,000= 18,000

Solution #3

	Physical Units		
Beginning balance	15,000		
+ Started into production	89,000		
= Units to be Accounted For	104,000		
		Materials	Conversion
Completed and Transferred Out:	80,000	80,000	80,000
+ Ending balance	24,000	24,000	21,600
= Units Accounted For	104,000	104,000	101,600
	Total		
Beginning balance	$25,760	$10,100	$15,660
+ Started into production	951,504	424,620	526,884
= Costs to be Accounted For	$977,264	434,720	$542,544
Cost per equivalent unit		434,720/	542,544/101,600
Costs added during the period		104,000	
Equivalent units a)		$4.18	$5.34
Total Manufacturing cost per unit= 4.18+5.34= 9.52			
Completed and Transferred Out 80,000*$9.52			b) $761,600
+ Ending balance			
Material 24,000*4.18	100,320		
Conversion 21,600*5.34	115,344		c)215,664
= Costs Accounted For			$977,264