

- Q. 7 Standard Cabinet Company manufactures a single model of a commercial prefabricated wooden cabinet. The company uses a process cost system with an average cost flow assumption. It maintains a separate work in process account for each of its two producing departments, Cutting and Assembly. The basic cabinet components are cut out of wood in the Cutting Department and then transferred to the Assembly Department, where they are put together with the addition of hinges and handles purchased from outside vendors. Data related to manufacturing operations in August are provided below.

| | Cutting | Assembly |
|---|---------|----------|
| Units in beginning inventory | 200 | 250 |
| Units started in process in Cutting Department this period | 600 | - |
| Units transferred from Cutting to Assembly this period | 650 | 650 |
| Units transferred from Assembly to Finished Goods this period | - | 800 |
| Units in ending inventory | | |
| Cutting Department (90% materials, 60% conversion cost) | 150 | - |
| Assembly Department (40 % materials, 20% conversion cost) | - | 100 |

| | Cutting | Assembly |
|---|----------|-----------|
| Cost in beginning inventory | | |
| Cost from preceding department | | Rs.17,410 |
| Materials | Rs.5,365 | 3,451 |
| Labor | 530 | 3,611 |
| Factory Overhead | 795 | 3,611 |
| Cost added during the current period | | |
| Materials | 26,035 | 14,273 |
| Labor | 8,350 | 20,989 |
| Factory Overhead | 12,525 | 20,989 |

1380.4
722.2

Instructions:

- (a) Prepare a cost of production report for each department for August. (15)
- (b) Prepare the appropriate general journal entries to record the charge to the producing departments for the costs incurred during August and to record the transfer of units from Cutting to Assembly and from Assembly to Finished Goods Inventory. (05) (20)

Cost of production Report (cutting dept.)

1) Qty Schedule

| | |
|-------------------------------|------------|
| Units in the beginning | 200 |
| Unit added during the month | <u>600</u> |
| Total Units to be account for | <u>800</u> |

| | |
|----------------------|------------|
| Units transfered out | 650 |
| Units in ending WIP | <u>150</u> |
| | <u>800</u> |

| 2) Equivalent production Unit (EPU) M | C.O.C |
|--|------------|
| Units completed and transfered out (650) | 650 |
| Material $150 \times 90\%$ | 135 |
| C.O.C $150 \times 60\%$ | <u>90</u> |
| E.P.U | <u>785</u> |

3) Cost so far as for

Beginning cost

material 5365,

C.O.C (DL + FoH) 530 + 795 = 1325.

Cost added during the period

material 26035

C.O.C (DL + FoH) 8350 + 12525 = 20875.

Total cost = 5365 + 1325 + 26035 + 20875 = 53,600.

4) Cost per EPU

Material cost per unit = $\frac{5365 + 26035}{785} = 40$.

$$\text{C.C. cost per unit} = \frac{1325 + 20875}{740} = 30$$

5) Total cost per unit. $40 + 30 = \text{Rs. } 70.$

6) Total cost of Goods Manufactured
Units transferred out \times Total cost per unit.
 $650 \times 70 = 45500.$

7) Ending WIP
Material $(150 \times 40\% + (150 \times 30 \times 60\%))$
 $5400 + 2700 = 8700.$

Cost Schedule

| | |
|---------------------------------|----------------|
| Cost from preceding dept | - |
| Cost incurred during the period | |
| 785 \times 40 (Material) | = 31400 |
| 740 \times 30 (C.C) | = <u>22200</u> |
| | <u>53600</u> |

| | |
|-----------------------------|---------------|
| Cost to be accounted for | |
| Completed & transferred out | |
| 650 \times 70 | = 45500 |
| ending WIP | = <u>8700</u> |
| | <u>53600</u> |

Cost of production report (Assembly dept)

1) Qty Schedule

| | |
|-----------------------------------|------------|
| Units in beg Inventory | 250 |
| Units received from cutting dept | <u>650</u> |
| <u>Total units to account for</u> | <u>900</u> |

| | |
|----------------------------------|------------|
| Units transfered to finish good | 800 |
| ending WIP | <u>100</u> |
| <u>Total units accounted for</u> | <u>900</u> |

2) Equivalent production Units (EPU) M. C.C

| | | |
|------------------------------------|------------|------------|
| Units completed and transfered out | 850 | 850 |
| Degree of completion: | | |
| Material 100% 40% | 40 | |
| C.C 100% 20% | | <u>20</u> |
| <u>E.P.U</u> | <u>840</u> | <u>820</u> |

3) Cost to account for

Cost from preceding department = 17410

Req inventory cost

Material 3451

C.C = (DL + FOH) = (3611 + 3611) = 7222

Cost incurred during the period

Material 14273

C.C = (DL + FOH) = (20989 + 20989) = 41978

Total cost to account for 84334

4) Cost per Unit

Material cost per unit = $\frac{3451 + 14273}{840} = 21.1$

41978.

$$\text{C.C cost per Unit} = \frac{7222 + \cancel{14273}}{820} = 60$$

$$5) \text{ Total cost per unit} = 21.1 + 60 = 81.1$$

b) Total cost of goods Manufactured

$$\begin{aligned} \text{Units transferred out} \times \text{Total cost per unit} \\ 800 \times 81.1 &= 64880 \end{aligned}$$

7) Ending work in process (WIP)

$$\text{Material} = (100 \times 21.1) \times 60\% = \frac{840}{\cancel{2100}}$$

$$\text{C.C} = (100 \times 60 \times 20\%) = \frac{1200}{\cancel{2200}}$$

$$\underline{\underline{2040}}$$

Cost Schedule

$$\text{Cost from preceding dept} = 17410$$

Cost incurred during the period

$$840 \times 21 \text{ (Material)} = 17640$$

$$820 \times 60 \text{ (C.C)} = \underline{49200}$$

$$\underline{\underline{66840}}$$

Cost to account for

Completed & transferred out

$$800 \times 81 = 64800$$

$$\text{WIP} = \underline{2040}$$

$$\underline{\underline{66840}}$$