Chapters 4

Practice Questions

Use the information below to answer the next seven questions

Top That manufactures baseball-style hats. Material is introduced at the beginning of the process in Cutting Department. As the cutting of material is completed, the pieces are immediately transferred to the Sewing Department. Data for the Cutting Department for the month of February 2014 follows:

Work in process, January 31,	50,000 units (40% completed for CC) DM = $70,500; CC= $34,050
Units started during February,	225,000
Units completed during February,	200,000
Work in process, February 28,	75,000 units (20% completed for CC)

Direct materials added during February	$342,000
Conversion costs added during February	$352,950

1. Assuming Top That uses the **weighted-average** method to account for inventories, the equivalent units of work for the month of February are:

	Direct Materials	Conversion Costs
a.	225,000	225,000
b.	200,000	200,000
c.	275,000	215,000
d.	225,000	200,000
e.	None of the above	

2. Assuming Top That used the **weighted-average** method to account for inventories, the cost per equivalent whole unit produced during February is:
   a. $3.30
   b. $3.55
   c. $3.77
   d. $4.00
   e. None of the above

3. Assuming Top That uses the **weighted-average** method to account for inventories, the assignment of costs to work in process at the end of February is:
   a. $300,000
   b. $266,250
   c. $166,525
   d. $139,500
   e. None of the above

4. If Top That uses the **first-in, first-out (FIFO)** method to account for inventories, the equivalent units of work for the month of February are:

	Direct Materials	Conversion Costs
a.	225,000	225,000
b.	225,000	195,000
c.	275,000	200,000
d.	200,000	195,000

e. None of the above

5. If Top That uses the **FIFO** method to account for inventories, the costs per equivalent unit for February are:

	Direct Materials	Conversion Costs
a.	$1.50	$1.76
b.	$1.83	$1.72
c.	$1.71	$1.81
d.	$1.52	$1.81

e. None of the above

6. Assuming Top That uses the **FIFO** method to account for inventories, the assignment of costs to units completed and transferred to the Sewing Department during February is:

a. $658,350
b. $636,450
c. $666,000
d. $652,000
e. None of the above

7. In the Sewing Department, additional direct materials are added to the product at the end of production. Ignore your answer to questions 1-6. Refer to the original data. Assume that 200,000 units were transferred from the Cutting Department and that the **weighted-average** method is used. Data for February follow:

Work in process, January 31 -	70,000 units (30% complete as to conversion)
Units completed during February -	240,000 units
Work in process, February 28 -	30,000 units (80% complete as to conversion)

For the Sewing Department, the equivalent units of work done in February is

	Transferred In	Direct Materials	Conversion Costs
a.	200,000	200,000	200,000
b.	200,000	170,000	194,000
c.	240,000	240,000	245,000
d.	270,000	240,000	264,000

e. None of the above

8. All production costs have been steadily rising in the Donner Company for several periods. The company maintains large work in process inventories. Which of the following is correct about the company's cost of goods completed and transferred out (C&T) and cost of ending WIP computed using the FIFO method as compared with Weighted Average (WA) method:
   a. Cost of C&T would be higher under FIFO than that computed under the WA method.
   b. Cost of ending WIP would be higher under FIFO than that computed under the WA method
   c. Cost of C&T would be lower under FIFO than that computed under the WA method
   d. Cost of ending WIP would be lower under FIFO than that computed under the WA method
   e. Both **b** and **c** of the above are correct

9. Bag Company had a beginning inventory of 4,000 bags with costs of $18,000 on January 1. The direct materials were complete and all overhead had been assigned; however, only 40 percent of direct manufacturing labour was added in the prior period. Another 20,000 units were started and completed during the current period. Bag Company uses FIFO process-costing and calculated equivalent unit costs as follows: materials, $8.00; labour, $9.00; and overhead, $5.00.

What is the total cost of goods transferred out using the FIFO method?
A) $440,000
B) $468,000
C) $470,000
D) $491,600
E) $519,500

10. The materials are entered into production at the **<u>end</u>** of the process in the cracking department. Assume there have been NO changes in input costs for material, labour or overhead items over the past 2 years. Which of the following statements is **TRUE**?

   a. Equivalents units for DM and CC under FIFO and weighted-average are the same
   b. Cost of goods transferred out under FIFO and weighted-average are the same
   c. Cost of ending balance of WIP under FIFO and weighted-average are the same
   d. All of the above statements are true
   e. Only **B** and **C** above are true

Use the information below to answer the next four questions

Landry Co. had the following information for the month of December 2007. Material is added at the beginning of the process. The beginning materials cost $14,000. The company uses **FIFO** method.

Work in Process Inventory

Beginning balance:		Completed 960 units	
240 units, 10% completed	$17,000	and transferred out	$168,000
Direct materials	$65,000		
Conversion Costs	$113,000		
Ending balance:			
360 units, 20% completed	$27,000		

11. Total equivalent units for materials would be:
    a. 1,110 equivalent units
    b. 1,080 equivalent units
    c. 1,032 equivalent units
    d. 1,008 equivalent units
    e. 1,320 equivalent units

12. Total equivalent units for conversion would be:
    a. 1,110 equivalent units
    b. 1,080 equivalent units
    c. 1,032 equivalent units
    d. 1,008 equivalent units
    e. 1,320 equivalent units

13. Cost per equivalent unit for materials would be:
    a. $112.103
    b. $ 49.242
    c. $109.496
    d. $ 82.757
    e. $ 60.185

14. Cost per equivalent unit for conversion would be:
    a. $112.103
    b. $ 49.242
    c. $109.496
    d. $ 82.757
    e. $ 60.185

15. On March 1, Atlanta Company had 20,000 units of WIP in Department A, which were 100% complete as to material costs and 30% complete as to conversion costs. During March, 150,000 units were started in Department A and 160,000 units were completed and transferred to Department B. WIP on March 31 was 100% complete as to material costs and 50% complete as to conversion costs. By what amount would the equivalent units for conversion costs for the month of March differ if the FIFO method were used instead of the weighted-average method?
    a. 10,000 decrease
    b. 8,000 decrease
    c. 6,000 decrease
    d. 5,000 decrease
    e. 4,000 decrease

16. Lucas Company uses the **weighted-average** method in its process costing system. The company adds materials at the beginning of the process in the Forming Department, which is the first of two stages in its production process. Information concerning operations in the Forming Department in October follows:

		Materials
	Units	Cost
Work in process on October 1	6,000	$ 3,000
Units started during October	50,000	$25,560

Units completed and transferred to the next Department during October: 44,000
What was the materials cost of work in process at October 31?
    a. $3,060
    b. $5,520
    c. $6,000
    d. $6,120
    e. None of the above

17. O'Leary Company manufactures Product Z in a two-stage production cycle in Departments A and B. Materials are added at the beginning of the process in Department B. O'Leary uses the **weighted-average** method. Conversion costs for Department B were 40% complete as to the 5,000 units in the beginning work-in-process inventory and 50% complete as to the 7,000 units in the ending work-in-process inventory. 10,000 units were completed and transferred out of Department B during October. An analysis of the costs relating to work-in-process inventories and production activity in Department B for October follows:

	Transferred-in Costs	**Materials Costs**	**Conversion Costs**
WIP, October 1:	$10,000	$3,000	$1,000
Costs added in October	24,000	5,500	4,400

The total cost per equivalent unit transferred-out of Product Z was (rounded:

a. $2.75
b. $2.80
c. $2.85
d. $2.90

18. A company uses the **weighted average** method of costing in a process costing system. Material is added at the beginning of the process in Department A, and conversion costs are incurred uniformly throughout the process. Beginning WIP on April 1 in Department A consisted of 50,000 units estimated to be 30% complete. During April, 150,000 units were started in Department A, and 160,000 units were completed and transferred to Department B. Ending WIP on April 30 in Department A was estimated to be 20% complete. What were the total equivalent units for materials and conversion costs, respectively?

a. 150,000 and 133,000
b. 150,000 and 153,000
c. 200,000 and 168,000
d. 200,000 and 153,000

19. Stay Company uses the **weighted-average** method in its process costing system. The company's ending work in process inventory consists of 8,000 units, 60% complete with respect to materials and 80% complete with respect to labor and overhead. If the total cost in this inventory is $200,000 and if the cost for materials is $16 per equivalent unit for the period, the cost of labor and overhead per equivalent unit for the period must be:

a. $19.25
b. $16.00
c. $25.67
d. $31.25

1	C	11	B
2	A	12	D
3	D	13	E
4	B	14	A
5	D	15	C
6	A	16	D
7	D	17	D
8	E	18	C
9	C	19	A