Cost Accounting by De Leon 2016

Accountancy (Mondriaan Aura College)



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Chapter 1

TRUE/FALSE

1. TRUE
2. TRUE
3. FALSE
4. TRUE
5. TRUE
6. FALSE
7. TRUE
8. FALSE
9. TRUE
10. TRUE

MULTIPLE CHOICE

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

Cost Accounting - 2014

Chapter 2 - Costs – Concepts and classification

Problem 1- Ram Corporation

1. **Manufacturing overhead**
2. **Manufacturing overhead**
3. **Direct materials**
4. **Direct labor**
5. **Manufacturing overhead**
6. **Manufacturing overhead**
7. **Direct materials**
8. **Manufacturing overhead**
9. **Manufacturing overhead**
10. **Manufacturing overhead**

Problem 2

1. Manufacturing

2. Selling

3. Manufacturing

4. Selling

6. Manufacturing

7. Administrative

8. Seling

9. Administrative

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5. Administrative **10.Selling**

Problem 3-Rocco	**Product Cost**			**Period Cost**	
	Direct mat.	**Direct labor**	**Mfg. OH**	**Selling**	**Adm**
1. DM	**220,000**				
2. Factory rent			**50,000**		
3. Direct labor		**180,000**			
4. Factory utilities			**8,500**		
5. Supervision			**60,000**		
6. Depreciation-FE			**20,000**		
7. Sales Commission				**57,000**	
8. Advertising					**47,000**
9. Depreciation-OE					**10,000**
10. Salary - pres.					**250,000**

1. **TOTAL PRODUCT CST = 220,000 + 180,000 + 138,500**
2. **TOTAL PERIOD COST = 57,000 + 307,000**
3. **COST PER UNIT = 538,500/ 40,000 units**
   = P 13,4625

Problem 4 – Bug Company

1. Fixed	**Period**	**6. Variable**	**Period**
2. Fixed	**Inventoriable**	**7. Variable**	**Inventoriable**
3. Fixed	**Inventoriable**	**8. Fixed**	**Inventoriable**
4. Variable	**Inventoriable**	**9. Fixed**	**Period**
5. Fixed	**Inventoriable**	**10. Fixed**	**Inventoriable**

Problem 5 – Mighty Muffler, Inc.

a. **P 50,000**

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b. P 50,000

c. P 60,000 = P120/muffler x 400 = P 48,000
500

d. P 120 x 800 = P 96,000

e. P 50,000 + P 48,000 = P 98,000

f. P 50,000 + P 96,000 = P 146,000

g. P 50,000/ 400 = P 125

h. P 50,000/500 = P 100

I, P 50,000/800 = P 62.50

j. P 48,000/400 = P 120

k. P 60,000/500 = P 120

l. P 96,000/800 = P 120

m. P 125 + P 120 = P 245

n. P 100 + P 120 = P 220

o. P 62.50 + P 120 = P 182.50

Problem 6 – Marvin Desk

1. **DM**
2. **OH**
3. **OH**
4. **OH**
5. **DL**
6. **OH**
7. **OH**
8. **OH**
9. **OH**
10. **DL**
11. **OH**
12. **OH**
13. **OH**
14. **OH**
15. **DM**

Problem 7 – Mother Goose Company

1. Prime costs	**-**	**530,000**
2. Conversion cost	**-**	**575,000**
3 Inventoriable cost	**-**	**860,000**

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4. Total period costs - 305,000

Problem 8 –

a. c - fixed (total amount is constant)
b. a – variable (4,480/3,200 = 1.40; 6,300/4,500 = 1.40 per unit is constant)
c. d - mixed (3,950/3,200 = 12.34; 5,250/4,500 = 1.16) total amount and amount per unit varies in relation to units sold)

Problem 9 - Blanche Corporation

`

1. Direct materials used	**P 32.00**
Direct labor	**20.00**
Variable manufacturing overhead	**15.00**
Variable marketing	**3.00**
Total variable cost per unit	**70.00**
X No. of units produced and sold	**12,000**
Total variable costs per month	**P 840,000**

2. Fixed manufacturing overhead	**P 6.00**
Fixed marketing costs	**4.00**
Total fixed cost per unit	**10.00**
X No. of units produced and sold	**12,000**
Total fixed costs per month	**P 120,000**

Problem 10

1. Direct materials	**P 60.00**

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Direct labor	30.00
Variable manufacturing overhead	9.00
Total variable manufacturing cost per unit	P 99.00

` 2. Total variable manufacturing cost per unit P 99.00

Variable marketing and administrative	6.00
Total variable costs per unit	105.00

3. Total variable manufacturing cost per unit P 99,00

Fixed manufacturing overhead (30,000/1,200)	25.00
Full manufacturing cost per unit	124.00

4. Full manufacturing cost per unit 124.00

Variable marketing and administrative	6.00
Fixed marketing and administrative	20.00
Full cost to make and sell per unit	150.00

Problem 11 – Johnson Corporation

1. Variable cost per machine hour = $\frac{35,600 - 20,000}{4,000 - 2,000}$

= 7.80 per machine hour

2.	4,000 hours	2000 hours
Total electricity expense	35,600	20,000
Less: Variable costs		

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(4,000 x 7.80)	31,200	
(2000 x 7.80)	_____	15,600
Fixed cost	4,400	4,400

3. Fixed cost 4,400

Variable cost (4,500 x 7.50) 35,100

Totl manufacturing costs 39,500

Problem 12 – Valdez Motors Co.

1. Variable cost per machine hour = $\frac{5,475 - 3,975}{210 - 145}$

= 23.08 per machine hour

2.	210 hours	145 hours
Total overhead costs	5,475	3,975
Less: Variable costs		
(210 x 23.08)	4,847	
(145 x 23.08)	_____	3,347
Fixed cost	628	628

Problem 13 – Marco Company

	Department A	Department B
1. Direct materials	P 400,000	P 700,000
Direct labor	350,000	600,000
Factory supplies	10,000	24,000
Direct variable costs	P 760,000	P 1,324,000

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2.	Controllable direct fixed costs		
	Supervisory salaries	P 45,000	P 55,000
3.	Uncontrollable direct fixed costs:		
	Depreciation – machinery and Equipment	P 100,000	P 180,000
4.	Controllable direct fixed cost	P 45,000	P 55,000
	Uncontrollable direct fixed cost	100,000	180,000
	Total direct fixed cost	P 145,000	P 235,000
5.	Allocated costs from headquarters	P 120,000	P 180,000
	Allocated repairs & maintenance	40,000	80,000
	Allocated factory rent – bldg.	60,000	140,000
	Allocated plant executive's salaries	140,000	210,000
	Total indirect costs	P 360,000	P 610,000
6.	Allocated costs from headquarters	P 120,000	P 180,000
	Allocated factory rent – bldg.	60,000	140,000
	Allocated plant executive's salaries	140,000	210,000
	Depreciation- mach. & equipment	100,000	180,000
	Total unavoidable costs	P 420,000	P 710,000

True/False Questions

1. False	6. True	11. False	16. True
2. False	7. False	12. False	17. False
3. True	8. True	13. True	18. True
4. False	9. False	14. False	19. False
5. False	10. True	15. False	20. True

Multiple choice

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1. B	**11. C**	**21. A**
2. C	**12. D**	**22. C**
3. B	**13. C**	**23. A**
4. C	**14. B**	**24. C**
5. D	**15. A**	**25. D**
6. A	**16. B**	**26. B**
7. D	**17. B**	**27. A**
8. D	**18. A**	**28. B**
9. B	**19. D**	**29. C**
10. C	**20. B**	**30. B**

CHAPTER 3 - COST ACCOUNTING CYCLE

Problem 1

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

Problem 2 - Marvin Manufacturing Company

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Marvin Manufacturing Company

Cost of Goods Sold Statement

For the year ended December 31, 2014

Direct materials used		
Materials, January 1	**175,000**	
Purchases	**250,000**	
Total available for use	**425,000**	
Less> Materials, December 31	**125,000**	**300,000**
Direct labor		**270,000**
Factory overhead		**324,000**
Total manufacturing costs		**894,000**
Work in process, January 1		**90,000**
Cost of goods put into process		**984,000**
Less: Work in process, December 31		**120,000**
Cost of goods manufactured		**864,000**
Finished goods, January 1		**100,000**
Total goods available for sale		**964,000**
Less: Finished goods, December 31		**80,000**
Cost of goods sold		**884,000**

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Problem 3 – Donna Company

Donna Company

Cost of Goods Sold Statement

For the month of May, 2014

Direct materials used			
Materials, May 1	**124,000**		
Purchases	**107,800**		
Total available	**231,800**		
Less> Material - May 31	**115,000**		**116,800**
Direct labor			**160,000**
Factory overhead			**240,000**
Total manufacturing costs			**516,800**
Work in process, May 1		**129,200**	
Cost of goods put into process			**646,000**
Less: Work in process, May 31		**124,000**	
Cost of goods manufactured			**522,000**
Finished goods – May 1		**150,000**	
Total goods available for sale			**672,000**
Less: Finished goods – May 31		**122,000**	
Cost of goods sold			**550,000**

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Problem 4 - Ram Company

1, Entries

a. Materials	**150,000**	
Accounts payable		**150,000**
b. Payroll	**75,000**	
Withholding taxes payable		**11,200**
SSS Premiums payable	**2,400**	
Phil Health contributions payable		**375**
Pag-ibig funds contributions payable		**1,620**
Accrued payroll	**59,405**	
Work in process	**56,000**	
Factory overhead control	**19,000**	
Payroll		**75,000**
c. Materials	**20,000**	
Accounts payable		**20,000**
d. Factory overhead control	**5,595**	
SSS premiums payable	**3,600**	
Phil Health contributions payable		**375**
Pag-ibig funds contributions payable		**1.620**
e. Work in process	**120,000**	
Factory overhead control	**10,000**	

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	Materials		130,000
f. Accounts payable		2,000	
	Materials		2,000
g. Accounts payable		148,300	
Accrued payroll		59,405	
	Cash		207.705
h. Factory overhead control		24,900	
	Miscellaneous accounts		24,900
i. Work in process		67,200	
	Factory OH Applied (56,000 x 120%)		67,200
j. Finished goods		175.000	
	Work in process		175,000
k. Accounts receivable		2200,000	
	Sales		2200,000
Cost of goods sold		140,000	
	Finished goods		140,000

2. Statement of cost of goods sold

. Direct materials used				
	Purchases		170,000	
	Less: Purchase returns		2,000	
	Total available for use		168,000	
	Less: Ind. Mat. used	10,000		
	Mat.- October 31	38,000	48,000	120,000
Direct labor				56,000
Factory overhead				67,200
Total manufacturing costs				243,200

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Less: Work in process, October 31	68,200
Cost of goods manufactured	175,000
Less: Finished goods – March 31	35,000
Cost of goods sold, normal	140,000
Less: OA-FO	7,705
Cost of goods sold, actual	132,295

Actual factory overhead (FO Control)	59,495
Less: Applied factory overhead	67,200
Over applied factory overhead	(7,705)

Problem 5 – Darvin Company

1. Entries

a. Materials	200,000	
Accounts payable		200,000
b. FOControl	35,000	
Accounts payable		35,000
c. Payroll	210,000	
W/Taxes payable		18,520
SSS Premium payable		8,400

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	Phil Health contributions payable	1,125
	PFC payable	6,300
	Accrued payroll	175,655
	Work in process	140,000
	Factory Overhead control	30,000
	Selling expense control	25,000
	Adm. expense control	15,000
	Payroll	210,000
d.	Accrued payroll	175,000
	Cash	175,000
e.	FO Control	14,200
	Selling expense control	2,375
	Adm. Expense control	1,350
	SSS prem. Payable	10,500
	MC payable	1,125
	PFC payable	6,300
f.	Work in process	185,000
	FO Control	35,000
	Materials	220,000
g.	Work in process	112,000

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FO Applied (140,000x80%)		**112,000**
h. Finished goods	**410,000**	
Work in process		**410,000**
i. Accounts receivable	**539,000**	
Sales		**539,000**
Costs of goods sold	**385,000**	
Finished goods		**385,000**
j. Cash	**405,000**	
Accounts receivable		**405,000**
k. Accounts payable	**220,000**	
Cash		**220,000**

2. <u>Cost of goods sold statement</u>

Direct materials used

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Materials, January 1		50,000	
Purchases		200,000	
Total available		250,000	
Less> Mat.- Jan. 31	30,000		
Ind. Materials	35,000	65,000	185,000
Direct labor			140,000
Factory overhead			112,000
Total manufacturing costs			437,000
Work in process, January 1			18,000
Cost of goods put into process			455,000
Less: Work in process, January 31			45,000
Cost of goods manufactured			410,000
Finished goods – January 1			35,000
Total goods available for sale			445,000
Less: Finished goods – January 31			60,000
Cost of goods sold - normal			385,000
Underapplied factory overhead		2,200	
Cost of goods sold – actual			387,200

3. Income Statement

Sales			539,000
Less: Cost of goods sold		387,200	
Gross profit			151,800
Less: Operating expenses			
Selling	27,375		

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Administrative	16,350	43,725
Net income		108,075

4 Balance sheet

Cash	110,000	Accounts payable	25,000
Accounts receivable	194,000	Accrued payroll	8,655
Finished goods	60,000	W/tax payable	18,520
Work in process	45.000	SSS Prem. payable	18,900
Materials	30,000	Medicare Cont. payable	2,250
		PFC payable	12,600
		Common stock	200,000
		Retained earnings	153,075
Total	439,000		439,000

Problem 6 - Blanche Corporation

1, Income Statement

Sales		1,200,000
Less: Cost of goods sold	755,230	
Gross profit		444,770
Less: Operating expenses		
Marketing	60,000	
Administrative	12,000	72,000
Net income		372,770

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2. Cost of goods sold statement

Direct materials used		
Materials, March 1	**50,000**	
Purchases	**400,000**	
Total available	**450,000**	
Less> Mat.- March 31	**47,485**	**402,515**
Direct labor		**210,000**
Factory overhead		**140,000**
Total manufacturing costs		**752,515**
Work in process, March 1		**102,350**
Cost of goods put into process		**854,865**
Less: Work in process, March 31		**117,135**
Cost of goods manufactured		**737,730**
Finished goods – March 1		**100,000**
Total goods available for sale		**837,730**
Less: Finished goods – March 31		**82,500**
Cost of goods sold		**755,230**

Problem 7

1.	**Cost of goods manufactured**	**800,000**
	Work in process, December 31	**87,000**
	Cost of goods put into process	**887,000**
	Total manufacturing costs	**(790,000)**
	Work in process, January 1	**97,000**

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2.	**Cost of goods manufactured**	**800,000**
	Finished goods, January 1	**80,000**
	Total goods available for sale	**880,000**
	Cost of goods sold	**(750,000)**
	Finished goods, December 31	**130,000**

4.	**Direct materials used**	**590,000**
	Materials, December 31	**150,000**
	Total available for sale	**740,000**
	Materials, January 1	**(100,000)**
	Materials purchased	**640,000**

Problem 8 – Ellery Company

1. **The company is using job order costing because the it is manufacturing a unique and custom made furniture**
2. **Manufacturing is allocated based on the direct labor cost incurred**
   Factory overhead rate - 24,000,000/20,000,000 = 120% of direct labor cost
3. **Actual factory overhead (500,000 + 750,000+1,000,000+11,000,000+2,000,000) 22,000,000**
   Applied (20,000,000 x 120%) 24,000,000
   Overapplied overhead (2,000,000)

4.	**Direct materials used**	**30,000,000**
	Direct labor	**20,000,000**
	Factory overhead applied	**24,000,000**
	Total manufacturing cost	**74,000,000**
	Work in process, January 1	**5,000,000**

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	Work in process, December 31	(4,000,000)
	Cost of goods manufactured	75,000,000
	Finished goods, January 1	13,000,000
	Finished goods, December 31	(11,000,000
	Cost of goods sold – normal	77,000,000

Problem 9 - Norman Company

1,	Materials, October 1		25,000
	Purchases		180,000
	Materials, October 31		(40,000)
	Direct materials used		165,000
	Direct labor		220,000
	Factory overhead		200,000
	Total manufacturing costs		585,000
2.	Total manufacturing costs		585,000
	Work in process, Oct. 1	23,500	
	Work in process, Oct. 31		(15,000)
	Cost of goods manufactured		593,500
3.	Cost of goods manufactured		593,500
	Finished goods, Oct. 1		37,000
	Finished goods, Oct. 31	(31,000)	
	Cost of goods sold		599,500
4.	Sales		980,000

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	Cost of goods sold	(599,500)
	Net income	380,500

Problem 10 – Janice Company

1,	Sales (50,000/10%)	500,000
	Selling & administrative expenses	(50,000)
	Net income	(50,000)
	Cost of goods sold	400,000

2.	Cost of goods sold	400,000
	Finished goods, March 31	180,000
	Finished goods, March 1	(120,000)
	Cost of goods manufactured	460,000

3.	Cost of goods manufactured	460.000
	Work in process, March 31	100,000
	Work in process, March 1	(90,000)
	Total manufacturing costs	470,000
	Factory overhead	(126,000)
	Direct labor (126,000/75%)	(168,000)
	Direct materials used	176,000
	Materials, March 31	20,000
	Purchases	(100,000)
	Materials, March 1	96,000

Problem 11 - Selina Corporation

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1.	**Cost of goods manufactured**	**1,700,000**
	Work in process, December 31	**500,000**
	Cost of goods put into process	**2,200,000**

Cost of goods manufactured + WP, end = TMC + WP, beg

1700,000 + X = 1,800,000 + .80X

X - .80X = 1,800,000 – 1,700,000

X = 100,00/.20

= 500,000

2. **WP, Dec. 31 = 500,000**

3.	**Total manufacturing cost**	**1,800,000**
	Factory overhead ((1,800,000 x 25%)	**(450,000)**
	Direct labor (450,000/72%)	**(625,000)**
	Direct materials used	**725,000**

Problem 12

(a) P 250,000 (725,000 – 280,000 – 195,000)
(b) P 805,000 (725,000 + 80,000)
(c) P 710,000 (805,000 - 95,000)
(d) P 120,000 (830,000 – 710,000)
(e) P 110,000 (830,000 – 720,000)
(f) P 30,000 (540,000 – 510,000)
(g) P 65,000 (540,000 – 475,000)
(h) P 513,000 (475,000 + 38,000)
(i) P 438,000 (513,000 – 75,000)
(j) P 135,000 (380,000 – 90,000 – 155,000)
(k) P 478,000 (98,000 + 380,000)
(l) P 93,000 (478,000 – 385,000)
(m) P 75,000 (460,000 – 385,000)
(n) P 105,000 (460,000 – 355,000)

Multiple choice

THEORIES PROBLEMS

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1. A	1. B	11. B	21. A
2. C	2. A	12. C	22. B
3. B	3. D	13. C	23. B 116,000
4. C	4. B	14. D	24. B
5. B	5. D	15. B	25. A
6. B	6. C	16. B	26. D
7. C	7. B	17. B	27. D
8 C	8. B	18. B	28. B
9. D	9. B	19. B	29. A
10.D	10. C	20. D	30. A

Chapter 4 -

True or False

1. False 6. True 11. False 16.True

2. True 7. False 12. False 17. False

3. True 8. False 13. False 18. False

4. False 9. True 14. False 19. True

5. True 10.False 15. False 20. False

Multiple choice – Theory

1, d	**6. d**	**11. d**	**16. a**	**21. c**
2. b	**7. a**	**12. d**	**17. c**	**22. b**
3. b	**8. c**	**13. c**	**18 b**	**23. d**
4. d	**9. c**	**14. b**	**19. b**	**24. b**
5. d	**10. b**	**15. c**	**20. b**	**25. b**

Problem 1 – Alexis Company

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1 Journal entries

1.	**Materials**		**28,000**	
		Accounts payable		**28,000**
2.	**Work in process**		**22,000**	
	Factory overhead control		**3.000**	
		Materials		**25,000**
3.	**Materials**		**800**	
		Work in process		**500**
		FO Control		**300**
4.	**Accounts payable**		**1,000**	
		Materials		**1,000**
5.	**Payroll**	**39,000**		
		Withholding taxes payable		**3,025**
		SSS Premiums payable	**1,600**	
		Phil Health contributions payable		**375**
		Pag-ibig funds contributions payable	**1,200**	
		Accrued payroll	**32,800**	
	Accrued payroll	**32,800**		
		Cash		**32,800**
6.	**Work in process**		**33,400**	
	Factory overhead control		**5,600**	

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	Payroll		39,000	
7.	Factory Overhead Control		3,575	
	SSS Premiums payable		2,000	
	Phil Health cont. payable			375
	Pag-ibig cont. payable		1,200	
8	FO Control		15,000	
	Accum Depr.			3,000
	Prepaid ins.			950
	Accounts payable			11,050
9.	Work in process		26,720	
	FO Applied			26,720
10.	Finished goods		72,220	
	WP			72,220
	Job 401	31,720		
	Job 402	40,500		
11.	Accounts receivable		44,408	
	Sales (31,720 x 140%)		44,408	
	Cost of goods sold		31,720	
	FG			31,720

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12. **Cash** **35,000**

Accounts receivable **35,000**

Job 401

Direct materials	Direct labor	Factory overhead
3,000	2,500	2,000
5,500	10,400	8,320
8,500	12,900	10,320

Job 402

Direct materials	Direct labor	Factory overhead
5,600	3,000	2,400
7,000	12,500	10,000
12,600	15,500	12,400

Job 403

Direct materials	Direct labor	Factory overhead
9,500	10,500	8,400
(500)		

3. Cost of goods sold statement

Direct materials used

Materials, August 1		**22,000**	
Purchases	**28,000**		
Less. Purchase returns	**1,000**	**27,000**	
Total available for use		**49,000**	
Less: Materials, Aug. 31	**24,800**		
Ind. Materials	**2,700**	**27,500**	**21,500**

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Direct labor	**33,400**	
Factory overhead	**26.720**	
Total manufacturing costs	**81,620**	
Work in process, Aug. 1		**18,500**
Cost of goods put into process		**100.120**
Less: Work in process, Aug. 31		**27,900**
Cost of goods manufactured		**72,220**
Finished goods, Aug. 1		**25,000**
Total goods available for sale		**97,220**
Less: Finished goods, Aug. 31		**65,500**
Cost of goods sold - normal	**31,720**	
Add. Under applied factory overhead		**155**
Cost of goods sold	**31,875**	

Problem 2 - Golden Shower Company

2. Journal entries

a. Materials	**229,040**	
Accounts payable`````		**229,040**

X 20,000 x 5.20 = 104,000

Y 24,000 x 3.75 = 90,000

Ind. Materials 35,040

b. Payroll	**220,000**	
Withholding taxes payable		**31,000**
SSS premiums payable		**7,000**

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Phil Health cont. payable		440
Pag-ibig funds cont. payable	6,600	
Accrued payroll	174,960	

Accrued payroll	174,960	
Cash		174,960

c. Work in process	156,000	
Factory overhead control	24,000	
Marketing & Adm. Exp. Control	40,000	
Payroll		220,000

Factory overhead control	14,760	
Marketing & adm. Exp. Control	3,280	
SSS Premiums payable		11,000
Phil Health contr. Payable		440
Pag-ibig funds contribution payable		6,600

	SSS (5%)	Phil Health (0,20%)	Pag-ibig (3%)	Total
FOC (180,000)	9,000	360	5,400	14,760
M & A Exp.control	2,000	80	1,200	3,280
	11,000	440	6,600	18.040

d. Work in process	216,350	

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Factory overhead control	**15,040**	
Materials		**231,390**

Job 101		**Job 102**	
(x) 4,000 x 5.00	**20,000**	**(Y) 8,000 x 3.00**	**24,000**
(x) 16,000 x 5.20	**83,200**	**(Y) 16,000 x 3.75**	**60,000**
	103,200		**84,000**

Job 103	
(x) 2,000 x 5.20	**10,400**
(Y) 5,000 x 3.75	**18,750**
	29,150

e. Work in process	**85,500**	
FO Applied		**85,500**

Job 101 = 10,000 x 2.25	**22,500**
102 = 16,000 x 2.25	**36,000**
103 = 12,000 x 2.25	**27,000**

f. Accounts receivable	**510,000**	
Sales		**510,000**
Cost of goods sold	**380,700**	
Work in process		**380,700**

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g. Cash		494,000	
Sales discount		26,000	
Accounts receivable			520,000
h. Marketing & Adm. Exp. Control		30,000	
Factory overhead control		25,600	
Cash			51,600
Accum. Depreciation			4,000
i. Accounts payable		170,000	
Cash			170,000
j. Factory overhead applied		85,500	
Cost of goods sold			6,100
FO Control			79,400

JOB 101

DIRECT MATERIALS	DIRECT LABOR	FACTORY OVERHEAD
5,000	4,000	2,000
103,200	44,000	22,500
108,200	44,000	24,500

JOB 102

DIRECT MATERIALS	DIRECT LABOR	FACTORY OVERHEAD
1,200	2,000	800
84,000	80,000	36,000
85,200	82,000	36,800

JOB 103

DIRECT MATERIALS	DIRECT LABOR	FACTORY OVERHEAD

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21,.950	36,000	27,000

STOCKCARDS

MATERIAL X

RECEIVED	ISSUED	BALANCE
		4,000 @ 5.00 20,000
20,000 @ 5.20 104,000		4,000 @ 5.00 20,000 20,000 @ 5/20 104,000
	4,000 @ 5.00 20,000	
	18,000 @ 5.20 93,000	2,000 @ 5.20 10,400

MATERIAL Y

RECEIVED	ISSUED	BALANCE
		8,000 @ 3.00 24,000
24,000 @ 3.75 90,000		8,000 @ 3.00 24,000 24,000 @ 3.75 90,000
	8,000 @ 3.00 24,000	
	21,000 @ 3.75 78,750	3,000 @ 3.75 11,250

Problem 3 - J.A.N., Inc.

1.	Work in process	10,600	
	Factory overhead control	800	
	Materials		11,400

2.	Work in process	11,700	
	Factory overhead control	1,200	
	Payroll		12,900

3.	Finished goods (2,500 + 2,000 + 2.320)	6,820	

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Work in process		**6,820**

Problem 4 - Hercules Company

1.	**Job 101 –**		**5,200**
	Job 102		**4,700**
	Work in process, end of April		**9,900**
	Job 102 (4,700 + 3,800)	**=**	**8,500**
	Job 104		**5,800**
	Job 105		**5,200**
	Work in process – end of May `		**P 19,500**
	Job 105 (5,200 + 3,800) WP-end of June		**P 9,000**
2.	**Finished goods – end of April (Job 103**		**1,200**
	Finished goods – end of May (Job 101		**10,600**
	Finished goods – end of June (Job 102 + Job 104)		
	10,500 + 10,000		**20,500**
3.	**May (1,200 x .25)**		**300**
	June (10,600 x .25)		**2,650**
	July (20,500 x .25)		**5,125**

Problem 5 - Star Wars Corporation

Requirement No. 1

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1.	**Work in process**	**60,000**	
	Materials		**60,000**
2.	**Work in process**	**120,000**	
	Payroll	**120,000**	
3.	**Work in process**	**75.000**	
	FO Applied		**75,000**
4.	**Finished goods**	**255,000**	
	Work in process		**255,000**
5.	**Accounts receivable**	**340,000**	
	Sales		**340,000**
	Cost of goods sold	**255,000**	
	Finished goods	**255,000**	

	Job 110	Job 220	Job 330	Total		
Selling price	**100,000**		**140,000**		**100,000**	**340,000**
Direct materials	**15,000**	**25,000**	**20,000**	**60,000**		
Direct labor	**40,000**	**50,000**	**30,000**	**120,000**		

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Factory OH	**25,000**	**30,000**	**20,000**	**75,000**
Total cost	**80,000**	**105,000**	**70,000**	**255,000**
Gross profit	**20,000**	**35,000**	**30,000**	**85.000**
Selling price	**80,000/80%**	**105,000/75%**	**70,000/70%**	

Problem 6 – Ellery Corporation

MATERIALS | **WORK IN PROCESS**

Beg. 60,000	**5) 125,000**	**Bal. beg. 85,000**	**2) 820,000**
6) 145,000	**Bal. end 80,000**	**5) DM 125,000**	
205,000	**205,000**	**4) DL 400,000**	
		3) OH 320,000	**Bal.end 110,000**
		930,000	**930,000**

FINISHED GOODS | **COST OF GOODS SOLD**

Bal. beg. 120,000	**1) 850,000**	**1) 850,000**	
2) 820,000	**Bal. end 90,000**		
940,000	**940,000**		

FACTORY OH CONROL | **FACTORY OH APPLIED**

7) 330,000			**3) 320,000**

Entries

1.	**Materials**	**145000**	
	Accounts payable		**145,000**

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2.	**Work in process**	**125,000**	
	Materials		**125,000**
3.	**Work in process**	**400,000**	
	Payroll		**400,000**
4.	**Work in process**	**320,000**	
	FO Applied		**320,000**
5.	**Finished goods**	**820,000**	
	Work in process		**820,000**
6.	**Cost of goods sold**	**850,000**	
	Finished goods		**850,000**
7.	**FO Control**	**330,000**	
	Various accounts		**330,000**

Problem 7 - Ellen Joyce Company

1.	**Work in process**	**98,500**	
	Materials		**98,500**
2.	**Work in process**	**156,000**	
	Payroll		**156,000**

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3.	**Work in process**		**118,500**	
	FO Applied			**118,500**
4.	**Finished goods**		**343,000**	
	Work in process			**343,000**
	Job 201	**-** **190,000**		
	Job 202 -	**94,000**		
	Job 203 -	**59,000**		
	Total	**343,000**		
5.	**Accounts receivable**		**350,000**	
	Sales			**350.000**
	Cost of goods sold		**284,000**	
	Finished goods			**284,000**

Cost of goods sold statement

Direct materials	**98,500**
Direct labor	**156,000**
Factory overhead	**118,500**
Total manufacturing costs	**373,000**
Less: Work in process, end	**30,000**
Cost of goods manufactured	**343,000**
Less: Finished goods, end	**59,000**

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	Cost of goods sold		284,000

Page 8 = Abner Corporation

1.	Direct materials used	205,000	
	Materials – end	90,000	
	Materials – beg.		(95,000)
	Direct materials purchased		200,000
2.	Total manufacturing costs		675,000
	Factory overhead		(175,000)
	Materials used	(205,000)	
	Direct labor costs		295,000
3.	Cost of goods available for sale	775,000	
	Finished goods, end		(110,000)
	Cost of goods sold		665,000
4.	Sales		900,000
	Cost of goods sold		(665,000)
	Gross profit		235,000

Problem 9 - Pacific Production Company

1.	Materials - April 1		64,000
	Purchases		84,000
	Materials – April 30		(60,000)

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	Direct materials used	**(78,000)**	
	Indirect materials used	**10,000**	
2.	**Accrued payroll – April 30**		**6,000**
	Payroll paid		**44,000**
	Direct labor cost		**(32,000)**
	Indirect labor		**18,000**
3.	**Direct labor cost**		**32,000**
	Factory overhead rate	**125%-**	
	Factory overhead applied		**40,000**
4.	**Direct materials**		**78,000**
	Direct labor		**32,000**
	Factory overhead		**40,000**
	Total manufacturing costs		**150,000**
	Work in process, beg.	**82,000**	
	Work in process, end	**(94,000)**	
	Cost of goods manufactured	**138,000**	
5.	**Cost of goods manufactured**	**138,000**	
	Finished goods, April 1	**296,000**	
	Finished goods, April 30		**(304,000)**
	Cost of goods sold		**130,000**

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Problem 10 – Candy Corporation

1)	**Job 101**	**P 175,000**			
	Job 102	**120,000**			
	WP, July 1		**P 295,000**		
2)	**Job 101**	**80,000 x 125%**	**=**	**P 100,000**	
	Job 102	**95,000 x 125%**	**=**	**118,750**	
	Job 103	**115,000 x 125%**	**=**	**143,750**	
	Total				**362,500**

3)	**Job 101**	**Job 102**	**Total**
WP, beg.	**175,000**	**120,000**	**295,000**
Cost added			
Materials	**55,000**	**80,000**	**135,000**
Labor	**80,000**	**95,000**	**175,000**
Overhead	**100,000**	**118,750**	**218,750**
Total	**410,000`**	**413,750**	**823,750**

4)	**Job 101**			**410,000**
	Add: Underapplied factory overhead			
	Actual FO	**375,000**		
	Less: Applied FO		**362,500**	**12,500**
	Cost of goods sold – actual			**422,500`**

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5)	**FG, Inventory July 31 (Job 102)**		**413,750**

6) WP, Inventory, July 31 (Job 103)

Materials		**92,000**
Labor		**115,000**
Factory overhead		**143,750**
Total WP Inventory, July 31	**350,750**	

Problem 11 – Kit-Kat Company

1.	**Materials**		**15.000**
	Purchases		**140,000**
	Materials used - direct	**131,000**	
	Indirect	**14,000**	**(145,000)**
	Materials, December 31		**10,000**
2.	**Direct labor**		**139,000**
	Indirect labor		**18,000**
	Total payroll		**157,000**
3.	**Direct materials**		**131,000**
	Direct labor		**139,000**
	Factory overhead applied		**166,800**
	Total manufacturing cost		**436,800**
4.	**Total manufacturing cost**		**436,800**

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Work in process, Jan. 1		128,400
Work in process, Dec. 31	(Job 7642)	(179,000)
Cost of goods manufactured		386,200

5. Cost of goods manufactured		386,200
Finished goods, Jan. 1 (87,000 + 92,000)		179,000
Finished goods, Dec. (Job 7640)		(187,000)
Cost of goods sold, normal		378,200
Overapplied overhead -		(3,456)
Cost of goods sold, actual		374,744

Actual	160,000
Applied	(166,800)
Over applied	(6,800)

Allocation: CofGS - 378,200/744,200 x 6,800 = 3,456
FG 187,000/744,200 x 6,800 = 1,709
WP 179,000/744,200 x 6,800 = 1,635

6. Work in process, Dec. 31 179,000 - `1,635 = 177,365

7. FG, Dec. 3 = 187,000 – 1709) = 185,291

8. Gross profit (530,000 – 374,744 = 155,256

Problem 12 – MLT Company

1)	Materials, June 1	15,000
	Purchases	33,000

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	Materials, June 30		(19,000)
	Indirect materials		(1,000)
	Direct materials used		28,000
2)	Cost of goods manufactured		120,000
	Work in process, June 30		30,000
	Work in process, June 1		(40,000)
	Total manufacturing cost		110,000
3)	Cost of goods available for sale		190,000
	Total manufacturing costs		(110,000)
	Finished goods, June 1		80,000

Problem 13 – Miracle Company (start with No.. 3 then No. 2)

1)	Cost of goods manufactured		168,000
	WP, January 31		95,000
	WP, January 1		(80,000)
	Total manufacturing cost		183,000
	Direct labor	(63,000 / 75%)	(84,000)
	Factory overhead		(63,000)
	Direct materials used		36,000
	Materials January 31		50,000
	Indirect materials used		1,000
	Purchases		(46,000)

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	Materials, January 1		**41,000**
2)	**Cost of goods sold – normal**		**150,000**
	Finished goods, January 31		**78,000**
	Finished goods, January 1		**(60,000)**
	Cost of goods manufactured		**168,000**
3)	**Sales (25,000 / 12.5%)**		**200,000**
	Selling and administrative expenses		**(25,000)**
	Net income		**(25,200)**
	Cost of goods sold, actual		**149,800**
	Overapplied FO		
	Actual	**62,800**	
	Less: Applied	**63,000**	**200**
	Cost of goods sold, normal		**150,000**

Problem 14 – Nona Company

1)	**Units sold**	**12,300**
	Finished goods, end	**300**
	Finished goods, beg	**(100)**
	Units completed/manufactured	**12,500**

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2)	**Direct materials used**	**1,847,700**	
	Direct labor		**2,125,800**
	Factory overhead		**1,026,500**
	Total mfg. cost/cost of goods manufactured	**5,000,000**	
	Divide by units completed		**12,500**
	Cost of goods manufactured per unit	**400/unit**	

3)	**From Finished goods, beg. (100 units x P 430)**		**43,000**
	From units completed during the period (12,200 x P 400)	**4,880,000**	
	Cost of goods sold		**4,923,000**

Or

Finished goods, beg.		**43,000**
Cost of goods manufactured	**5,000,000**	
Finished goods, end (300 x P400)		**(120,000)**
Cost of goods sold		**4,923,000**

Problem 15

1.	**Total manufacturing costs (5,400 + 3,600 + 4,800 + 4,200)**		**18,000**
	Less: Cost of goods manufactured (5,400 +3,600 + 4,800)		**13,800**
	Work in process, January 31		**4,200**
	Or simply Job order No. 4	**4,200**	

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2.	**Total mfg. costs (4,000 + 3,550 + 5,850+9,600+4,500)**		**27,500**	
	Work in process, beg.		**4,200**	
	Cost of goods put into process		**31,700**	
	Less: Cost of goods manufactured (8,200 + 3,550)		**11,750**	
	Work in process, February 28		**19,950**	
	Or Job 6	**5,850**		
	Job 7	**9,600**		
	Job 8	**4,500**		
	Total Work in process, February 28	**19,950**		
3.	**Total mfg. costs (6,500+3,800+4,200+2,500+6,000)**		**23,000**	
	Work in process, beg.		**19,950**	
	Cost of goods put into process		**42,950**	
	Less: Cost of goods manufactured (13,400+8,700)		**22,100**	
	Work in process, March 31			**20,850**
	Or Job 6	**12,350**		
	Job 9	**2,500**		
	Job 10	**6,000**		
	Total Work in process, March 31	**20,850**		
4.	**Cost of goods manufactured – January**		**13,800**	
	Less: Cost of goods sold (5,400 + 4,800)			**10,200**
	Finished goods, January 31			**3,600**

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	Or Job 2	3,600		
5.	Cost of goods manufactured - February		11,750	
	Finished goods, February1			3,600
	Total goods available for sale		15,350	
	Less: Cost of goods sold (3,600 + 3,550)			7,150
	Finished goods, February 28		8,200	
	Or Job 4	8,200		
6.	Cost of goods manufactured – March		22,100	
	Finished goods, March 1			8,200
	Total goods available for sale		30,300	
	Less: Cost of goods sold (13,400 + 8,700)		22,100	
	Finished goods, March 31			8,200
	Or Job 4		8,200	
7.	Job 1			5,400
	Job 3			4,800
	Cost of goods sold – January		10,200	
8.	Job 2			3,600
	Job 5			3,550
	Cost of goods sold – February		7,150	

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9.	**Job 7**	**13,400**
	Job 8	**8,700**
	Cost of goods sold – March	**22,100**

Problem 16

Materials		Work in process		Finished Goods	
Beg. 10,000	2) 2,000	Beg. 1,000	6) 25,000	Beg. 2,500	7) 18,000
1) 30,000	3) 15,000	3) 15,000		6) 25,000	End 9,500
		4) 10,000		27,500	27,500
		5) 5,000	End 6,000		
		31,000	31,000		

Cost of Goods Sold		FO Control		FO Applied	
7) 18,000		8) 4,200		5)	5,000

Accounts payable	
2) 2,000	Beg. 25,000
	1) 30,000

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1.	**Materials, beg.**		**10,000**	
	Purchases	**30,000**		
	Less: Purchase Returns	**2,000**	**28,000**	
	Total available for use		**38,000**	
	Less: Materials issued		**15,000**	
	Materials, end		**23,000**	
2.	**Direct labor hours**			**10,000**
	x Direct labor rate per hour		**1.00**	
	Direct labor charged to production			**10,000**

3. P 2,000 (the amount debited to AP and credited to Direct materials)

4.	**Direct materials used**	**15,000**	
	Direct labor		**10,000**
	Factory overhead – applied		**5,000**
	Total manufacturing cost		**30,000**
	Work in process, beg.	**1,000**	
	Cost of goods put into process	**31,000**	
	Less: Cost of goods manufactured (credit to WP)	**25,000**	
	Work in process, end	**6,000**	
5.	**Finished goods, beg.**		**2,500**
	Cost of goods manufactured	**25,000**	
	Total goods available for sale	**27,500**	
	Less: Cost of goods sold		**18,000**

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Finished goods, end		**9,500**

6. P 18,000 (the amount debited to CofGS and credited to Finished Goods)

Problem 17 – Watson Manufacturing Company

Requirement 1 – Journal entries

a.	**Work in Process**	**60,000**	
	Materials		**60,000**
b.	**Work in Process**	**79,000**	
	Payroll	**79,000**	
c.	**Work in Process**	**63,200**	
	Factory Overhead Applied		**63,200**
d.	**Factory Overhead Control**	**60,000**	
	Various credit accounts	**60,000**	
e.	**Finished Goods**	**134,000**	
	Work in process		**134,000**

Job 101 (20,000 + 30,000 + 24,000)	**74,000**
Job 103 (24,000 + 20,000 + 16,000)	**60,000**
Total costs	**134,000**

Requirement No. 2

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a. FO Applied (20,000 x 80%) 16,000

b. Job 101 = 74,000/1,000 units = P 74.00/unit

Job 103 = 60,000/200 units = P300.00/unit

c. Direct materials used	60,000	
Direct labor		79,000
Factory overhead (79,000 x 80%)		63,200
Total manufacturing costs		202,200
Less: Cost of goods completed	134,000	
Work in process, end	68,200	
Or cost of Job 102 (16,000 + 29,000 + 23,200)	68,200	

d. Actual factory overhead		60,000
Less: Applied factory overhead	63,200	
Over-applied factory overhead	(3,200)	

MULTIPLE CHOICE – PROBLEMS

1. A	11. B	21. C
2. A	12, A	22. C
3. C	13. C	23. C
4. D	14. D	24. B
5. A	15. A	25. A
6. B	16. D	26. D
7. B	17. C	27. B
8. A	18. C	28. B
9. A	19. D	29. D
10. B	20. C	30. B

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Chapter 5

TRUE/FALSE

1. **True**
2. **True**
3. **False**
4. **True**
5. **True**
6. **True**
7. **True**
8. **True**
9. **True**
10. **False**

Problem 1 – Stillwater Manufacturing

1)	**Raw and In Process**	**356,000**	
	Accounts Payable		**356,000**

2)	**Finished goods**	**373,700**	
	Raw and In Process		**373,700**

Raw materials purchased	**356,000**
RIP beg. (42,600-6,900)	**35,700**
RIP end (22,500-4,500)	**(18,000)**
Mat. content of units completed	**373,700**

3)	**Cost of goods sold**	**390,700**	
	Finished goods		**390,700**

Mat. content of units completed	**373,700**
FG beg.(45,000-17,000)	**28,000**
FG. End (16,000-5,000)	**(11,000)**
Mat. content of units sold	**390,700**

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4)	**Cost of goods sold**	**330,000**	
	Payroll		**150,000**
	FO Applied		**180,000**

4)	**Cost of goods sold**	**14,400**	
	Raw and In Process		**2,400**
	Finished goods		**12,000**

Conversion cost	**RIP**	**FG**
End	**4,500**	**5,000**
Beg.	**(6,900)**	**(17,000)**
Increase (decrease)	**(2,400)**	**(12,000)**

Problem 2 – Magnolia Corporation

1)	**Raw and In Process**	**444,000**	
	Accounts payable		**444,000**

2)	**Finished goods**	**443,000**	

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	Raw and In process			443,000

Purchases		444,000	
Mat. In RIP beg (23,400-2,400)	21,000		
Mat. In RIP end (25,600-3,600)	(22,000)		
Mat. Content of FG		443,000	

3)	Cost of goods sold		399,000	
	Accrued payroll		210,000	
	FO Applied			189,000

3)	Cost of goods sold		447,000	
	Finished goods		447,000	
	Mat. Content of FG	443,000		
	Mat. In FG beg. (24,000-8,000)	16,000		
	Mat. In FG end (19,000-7,000)	(12,000)		
	Mat. Content of units sold		447,000	

4)	Raw and In Process		1,200	
	Cost of goods sold			1,200

Conversion cost in RIP end	3,600	
Conversion cost in RIP beg	(2,400)	

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	Adjustment	**1,200**	
5)	**Cost of goods sold**		**1,000**
	Finished goods		**1,000**
	Conversion cost in FG end	**7,000**	
	Conversion cost in FG beg	**(8,000)**	
	Adjustment	**(1,000)**	

Problem 3 – Smart Manufacturing Company

1.	**Materials purchased**		**146,000**
	Materials in RIP beg (15,000 – 4,400)	**10,600**	
	Materials in RIP end (24,000 – 7,800)	**(16,200)**	
	Materials backflushed from RIP to FG	**140,400**	
2.	**Materials backflushed from RIP to FG**	**140,400**	
	Materials in FG beg (36,000-10,800)	**25,200**	
	Materials in FG end (18,000-6,500)	**(11,500)**	
	Materials backflushed from FG to CofGS		**154,100**
3)	**a) Raw and In process**	**146,000**	

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Accounts payable		146,000

b) Cost of goods sold	180,000	
Accrued payroll		80,000
FO Applied		100,000

c) Finished goods	140,400	
Raw and In Process		140,400

d) Cost of goods sold	154,100	
Finished goods		154,100

e) Raw and In Process	3,400	
Cost of goods sold	900	
Finished goods		4,300

	RIP	FG
End	7,800	6,500
Beginning	(4,400)	(10,800)
Increase (decrease(	3,400	(4,300)

Problem 4 – Chiz Manufacturing Company

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1)	**Raw and In Process**	**230,000**	
	Accounts payable		**230,000**
2)	**Finished goods**	**245.200**	
	Raw and In Process		**245,200**

Materials purchased	**230,000**	
Materials in RIP beg. (40,000-12,000)	**28,000**	
Materials in RIP end (28,500-15,700)	**(12,800)**	
Materials backflushed from RIP	**245,200**	

3)	**Cost of goods sold**	**264,700**
	Finished goods	**264,700**

Materials backflushed from RIP	**245,200**	
Materials in FG beg. (35,000-8,800)	**26,200**	
Materials in FG end (19,800-13,100)	**(6,700)**	
Materials backflushed from CofGS	**264,700**	

4)	**Cost of goods sold**	**405,000**
	Accrued payroll	**180,000**

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	FO Applied		**225,000**

5)	**Finished goods**	**4,300**	
	Cost of goods sold		**600**
	Raw and In Process		**3,700**

	RIP	**FG**
End	**12,000**	**13,100**
Beginning	**(15,700)**	**(8,800)**
Increase (decrease)	**(3,700)**	**4,300**

CHAPTER 6 – ACCOUNTING FOR MATERIALS

Problem 1 - Norman Companu\y

a) EOQ = $\sqrt{\frac{2 \times 64{,}000 \times 40}{2}}$

= 1600 units

Ordering cost = No of orders x ordering cost

= $\frac{64{,}000}{1{,}600} \times 40$

= 1,600

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Carrying cost = Average inventory x 2

$$= \frac{1600}{2} \times 2$$

$$= 1{,}600$$

Problem 2 – Abner Company

a) $$EOQ = \sqrt{\frac{2 \text{ (number of units required annually)(cost of order)}}{\text{carrying cost per unit}}}$$

$$= \sqrt{\frac{2 \times 13{,}000 \times 200}{5.20}}$$

$$= \sqrt{\frac{5{,}200{,}000}{5.20}}$$

$$= 1{,}000 \text{ units}$$

b) $$\text{Number of orders in a year} = \frac{\text{annual requirements}}{\text{EOQ}}$$

$$= 13{,}000/1{,}000$$

$$= 13 \text{ orders}$$

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c) Average inventory based on EOQ = 1,000/2
= 500

d) Total carrying cost = Average inventory x Carrying cost/unit

= 500 x 5.20

= P 2,600

Page 2

Total ordering cost = No. of orders x ordering cost

= 13 x 200

= P 2,600

Problem 3 - Olive Corporation

1. EOQ = $\sqrt{(2 \times 16{,}000 \times P15) / P3}$ = 400 units

2.

	Ordering costs			Carrying costs			
Order size	No. of orders	Cost per order	Ordering costs	Average Inventory	CCPU	Carrying cost	TRIC
6,400	2.5	P 15	P 37.50	3,200	P 3	P9,600	P9,637.50
1,600	10	15	150.00	800	3	2,400	2,550.00
400	40	15	600.00	200	3	600	1,200.00
200	80	15	1,200.00	100	3	300	1,500.00
100	160	15	2,400.00	50	3	150	2,550.00

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No. of Orders = Annual demand / Order size

Average inventory = Order size / 2

Problem 4 – Heavyweight Co.

1. Allocation based on cost

Product	Invoice	Percentage	Share of Freight	Total cost	Cost/pound
X	125,000	2.5%	3,125	128,125	12.81
Y	75,000	2.5%	1,875	76,875	12.81
Z	100,000	2.5%	2,500	102,500	13.67
	300,000		7,500	307,500	

Percentage = 7,500/300,000

Allocation based on shipping weight

Product	Weight	Fraction	Share of Freight	Total Cost	Cost/pound
X	10,000	10,000/23,500	3,192	128,192	12.82
Y	6,000	6,000/23,500	1,915	76.915	12.82
Z	7,500	7,500/23,500	2,393	102,393	13.65
	23,500		7,500	307,500	

Problem 5 - Maxie Company

1. **Amount debited to Materials = 100,000 x 80% x 90% x 90% = 64,800**
2. **Amount debited to Materials = 100000 x 80% x 90% x 90% x 98% = 63,504**

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Page 3

Problem 6 –

1. FIRST-IN, FIRST-OUT

Received			Issued		Balance	
					1,600 x 6.00	9,600`
5	400 x 7.00	2,800			1,600 x 6.00 400 x 7.00	9,600 2.800
9	400 x 8.00	3,200			1,600 x 6.00 400 x 7.00 400 x 8.00	9,600 2,800 3,200
16			800 x 6.00	4,800	800 x 6.00 400 x 7.00 400 x 8.00	4,800 2,800 3,200
24	600 x 9.00	5,400			800 x 6.00 400 x 7.00 400 x 8.00 600 x 9.00	4,800 2,800 3,200 5,400
27			800 x 6.00 200 x 7.00	4,800 1,400	200 x 7.00 400 x 8.00 600 x 9.00	1.400 3,200 5,400

Cost of materials issued = 4,800 + 4,800 + 1,400 = 11,000

Cost of ending inventory = 1,400 + 3,200 + 5,400 = 10,000

2, AVERAGE

Received			Issued		Balance	
1					1,600 x 6.00	9,600
5	400 x 7.00	2,800			2,000 x 6.20	12.400
9	400 x 8.00	3,200			2,400 x 6.50	15,600
16			800 x 6.50	5,200	1,600 x 6.50	10,400

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24	600 x 9.00	5,400			2,200 x 7.18 15,800
27			1,000 x 7.18	7,180	1,200 x 7.18 8,620

Cost of materials issued = 5,200 + 7,180 = 12,380

Cost of ending inventory = 8,620

Problem 7 – Heaven & Earth

1. FIFO

Issued = 600 x 4.00 = 2,400

Cost of inventory - 200 x 5.00 =- 1,000

500 x 4.50 = 2,250

400 x 4.00 = 1,600

2. WEIGHTED AVERAGE

Received			Issued		Balance	
1					1,000 x 4.00	4,000
3			250 x 4.00	1,000	750 x 4.00	3,000
5	500 x 4.50	2,250			1,250 x 4.20	5,250
6			150 x 4.20	630	1,100 x 4.20	4,620
10			110 x 4.20	462	990 x 4.20	4,158
11			(10)x 4.20	(42)	1,000 x 4.20	4,200
15	500 x 5.00	2,500			1,500 x 4.47	6,700
20	(300) x 5.00	(1,500)			1,200 x 4.33	5,200
26			100 x 4.33	433	1,100 x 4.33	4,767

Problem 8 – Sterling Company

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A. PERPETUAL

1. FIFO

Received	Issued	Balance
1		300 x 17.50 5,250
8	_200 x 1750 3,500	100 x 17.50 1,750
10 900 x 18.00 16,200		100 x 17.50 1,750 900 x 18.00 16,200
18	100 x 17.50 1,750 500 x 18.00 9,000	400 x 18.00 7,200
20 1,200 x 18,25 21,900		400 x 18.00 7,200 1,200 x 18.25 21,900
25	400 x 18.00 7,200 600 x 18.25 10,950	600 x 18.25 10,950

2. AVERAGE

Received	Issued	Balance
1		300 x 17.50 5,250
8	200 x 17.50 3,500	100 x 17.50 1,750
10 900 x 18.00 16,200		1,000 x 17.95 17,950
18	600 x 17.95 10,770	400 x 17.95 7,180
20 1,200 x 18.25 21,900		1,600 x 18.175 29,080
25	1000 x 18.175 18,175	600 x 18.175 10,905

Problem 9 – Bedrock Company

a. Loss due to spoiled work is spread over all jobs

1. Work in process	12,400,000	
Materials		3,600,000
Payroll	4,000,000	
FO Applied		4,800,000

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2. Spoiled Goods 100,000

FO Control 24,000

Work in process (100 x 1,240) 124,000

3. Finished goods 12,276,000

Work in process 12,276,000

Unit cost = $\frac{12,400,000-124,000}{10,000-100}$ = 1,240

B, Loss due to spoiled work is charged to the specific job

1. Work in process 11,600,000

Materials 3,600,000

Payroll 4,000,000

FO Applied (4,000,000 x 100%) 4,000,000

2. Spoiled Goods 100,000

Work in process 100,000

3. Finished goods 11,500,000

Work in process 11,500,000

Unit cost = 11,500,000/9,900 = 1,161,62

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The increase in the unit cost is due to the loss absorbed by the remaining good units computed as follows

Cost (100 x 1,160)	**=**	**116,000**
Selling price		**100,000**
Loss		**16,000/9900 = 1.62**

Problem 10 – Kyralei Co.

A)1. RAGC is charged with the cost of defective units

a.	**Work in process**		**1,760,000**	
	Materials	**(2,000 x 400)**		**800,000**
	Payroll	**(2,000 x 200)**	**400,000**	
	FO Applied	**(400,000 x 140%)**		**560,000**
b.	**Work in process**		**232,000**	
	Materials	**(2,000 x 20)**		**40,000**
	Payroll	**(2,000 x 40)**	**80,000**	
	FO Applied	**(80,000 x 140%)**		**112,000**
c.	**Finished goods**		**1,992,000**	
	Work in process			**1,992,000**

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2. Cost of correcting defective work in not charged to RAGC

a.	Work in process	1,800,000	
	Materials		800,000
	Payroll	400,000	
	FO Applied (40,000 x 150%)	600,000	
b.	FO Control	240,000	
	Materials		40,000
	Payroll	80,000	
	FO Applied		120,000
c.	Finished goods	1,800,000	
	Work in process		1,800,000

B)

1.	Original cost	2.000 units		1,760,000
	Additional cost			232,000
	Total costs			1,992,000
	Divide by			2,000
	Cost per unit			996.00
2.	Original cost	2,000 units		1,800,000
	Divide by			2,000
	Cost per unit			900.00

Problem 11 – Little Mermaid

1. Charged to specific job

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a. Work in process 2,440,000

Materials (5,000 x 200) 1,000,000

Payroll (5.000 x 120) 600,000

FO Applied (600,000 x 140%) 840,000

b. Work in process 122,000

Materials (1,000 x 50) 50,000

Payroll (1,000 x 30) 30,000

FO Applied (30,000 x 140%) 42,000

c. Spoiled good (20 x 400) 8,000

Work in process 8,000

d. Finished goods 2,554,000

Work in process 2,554,000

2. Charged to all production (FO rate should be 150% of direct labor cost)

a. Work in process 2,500,000

Materials 1.000,000

Payroll 600,000

FO Applied (20,000 x 150%) 900,000

b. FO Control 125.000

Materials 50,000

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	Payroll		30,000
	FO Applied	(30,000 x 150%)	45.000

c. Spoiled Goods 8.000

Factory Overhead Control 2,000

Work in process (20 x 500) 10,000

d. Finished goods 2.490,000

Work in process 2,490,000

3. a. Method used is charged to specific job

		Total	Per unit
Original cost	5,000 units	2,440,000	488.00
Additional cost – defective		122,000 Inc.	24.40
		2.562.000	512.40
Spoiled	(20)	(8,000) Inc	.45
Net	4,980	2,554,000	512.85
Divide by		4,980	
Cost per unit		512.85	

Increase in unit cost due to spoiled units

Cost (512.40 x 20) 10,248

Selling price 8,000

Loss 2,248 divide by remaining units

2,248/4,980 = 0.45

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b. Method used is charged to all production

Original cost	5,000 units	2,500,000
Spoiled	(20)	(10,000)
Net	4,980	2,490,000
Divide by		4,980
Cost per unit		500

Problem 12 – Marvin Corporation-

1.	Work in process	300,000	
	Materials		117,000
	Payroll	100,000	
	FO Applied		83,000
2.	Work in process	4,350	
	Materials		1,650
	Payroll	1,500	
	FO Applied		1,200
3.	Spoiled goods	825	
	Work in process		825
4.	Finished goods	303,525	
	Work in process		303,525

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Problem 13 – Raindrops Company

$$EOQ = \sqrt{\frac{2 \times 60{,}000 \times 800}{.04}}$$

Problem 14 – Nicole Company

1. **Safety stock (5 days x 100 units)** **500 units**

2. **Reorder point (5 days x 600 units)** **3,000 units**

3. **Normal maximum inventory = (3,500/2) + 500 units = 2,250 units**

4. **Absolute maximum inventory = 3,500 + 500 units = 4,000 units**

Problem 15 -

Material	Yearly Usage	Unit cost	Percent		Total cost	Percent
1 x 4	5,250	P 2.00	13.1	(5,250/40,100)	P 10,500	21,2

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1 x 5	6,000	1.75	15.0	(6,000/40,100)	10,500	21.2
1 x 8	5,500	1.85	13.7		10,175	20.6
					63.0% - A	
1 x 1	10,000	0.50	24.9		5,000	10.1
1 x 3	2,000	2.50	5.0		5,000	10.1
1 x 2	7,100	0.65	17.7		4,615	9.3
					29.5% - B	
1 x 6	2,750	0.80	6.9		2.200	4.5
1 x 7	1,500	1.00	3.7		1,500	3.0
	40,100	100.0%			P49,490	7.5% - C
					100.0%	

Problem 16

Material	Yearly usage	Unit cost	Percent		Total cost	Percent
325	4,500	P30.00	8.3	(4,500/53,960)	P 135,000	45.2
730	2,500	28.00	4.6		70,000	23.4
126	7,750	3.00	14.4		23.250	7.8
					76.4% - A	
415	3,500	6.50	6.5		22,750	7.6
260	9,300	1.90	17.2		17,670	5.9
810	2,000	7.00	3.7		14,000	4.7
					18.2 % - B	

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540	**13,500**	**1.00**	**25.0**	**13,500**	**4.5**
241	**10,900**	**0.25**	**20.2**	**2.725**	**0.9**
			100%	**P398,895**	**5,4% - C**
					100%

TRUE/FALSE

1.	**True**	**6.**	**False**	**11.**	**True**
2.	**False**	**7.**	**False**	**12.**	**False**
3.	**False**	**8.**	**False**	**13.**	**False**
4.	**True**	**9.**	**False**	**14.**	**False**
5.	**True**	**10.**	**True**	**15.**	**False**

Multiple choice

THEORIES PROBLEMS

1,	**a**	**1.**	**a**	**6.**	**c**	**11.**	**c**	**16.**	**a**	**21.**	**c**
2,	**b**	**2**	**c.**	**7.**	**b**	**12.**	**d**	**17.**	**b**	**22.**	**d**
3,	**d**	**3.**	**b**	**8.**	**a**	**13.**	**d**	**18.**	**d**	**23.**	**a**
4,	**c**	**4.**	**b**	**9.**	**a**	**14.**	**b**	**19.**	**c**	**24.**	**a**
5,	**b**	**5.**	**a**	**10.**	**c**	**15.**	**b**	**20.**	**b**	**25.**	**d**

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CHAPTER 6 – ACCOUNTING FOR MATERIALS

Problem 1 - Norman Companu\y

a) $EOQ = \sqrt{\frac{2 \times 8{,}000 \times 40}{25}}$

$= 160 \text{ units}$

Ordering cost = No of orders x ordering cost

$= \frac{8{,}000}{160} \times 40$

$= 2{,}000$

Carrying cost = Average inventory x 25

$= \frac{160}{} \times 25$

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$$= \frac{2}{2000}$$

Problem 2 – Abner Company

a) $$EOQ = \sqrt{\frac{2\,(\text{number of units required annually})(\text{cost of order})}{\text{carrying cost per unit}}}$$

$$= \sqrt{\frac{2 \times (1{,}200 \times 3) \times 200}{25}}$$

$$= \sqrt{\frac{1{,}440{,}000}{25}}$$

= 240 units

d) Number of orders in a year = $\frac{\text{annual requirements}}{\text{EOQ}}$

= 3,600/240

= 15 orders

e) Average inventory based on EOQ = EOQ/2

= 240/2

= 120

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d) Total carrying cost = Average inventory x Carrying cost/unit

= 120 x 25

= P 3,000

Page 2

Total ordering cost = No. of orders x ordering cost

= 15 x 200

= P 3,000

Problem 3 - Ulli Corporation

1. EOQ = $\sqrt{(2 \times 16{,}000 \times P15) / P3}$ = 400 units

2.

	Ordering costs			Carrying costs			
Order size	No. of orders	Cost per order	Ordering costs	Average Inventory		CCPU	Carrying cost TRIC
6,400	2.5	P 15	P 37.50	3,200		P 3	P9,600 P9,637.50
1,600	10	15	150.00	800	3	2,400	2,550.00
400	40	15	600.00	200	3	600	1,200.00
200	80	15	1,200.00	100	3	300	1,500.00
100	160	15	2,400.00	50	3	150	2,550.00

No. of Orders = Annual demand / Order size

Average inventory = Order size / 2

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Problem 4 – Heavyweight Co.

1. Allocation based on cost

Product	Invoice	Percentage	Share of Freight	Total cost	Cost/pound
X	11,250	4%	450	11,700	2.60
Y	13,500	4%	540	14,040	2.34
Z	15,750	4%	630	16,380	2.184

2. Allocation based on shipping weight

Product	Weight	Freight/pound	Share of Freight	Total Cost	Cost/pound
X	4,500	.09	405	11,655	2.59
Y	6,000	.09	540	14,040	2.34
Z	7,500	.09	675	16,425	2.19

Problem 5 - Maxie Company

3. **Amount debited to Materials = 100,000 x 80% x 90% x 90% = 64,800**
4. **Amount debited to Materials = 100000 x 80% x 90% x 90% x 98% = 63,504**

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Problem 6 –

1. FIRST-IN, FIRST-OUT

Received	Issued	Balance
		1,600 x 6.00 9,600`
5 400 x 7.00 2,800		1,600 x 6.00 9,600 400 x 7.00 2.800
9 400 x 8.00 3,200		1,600 x 6.00 9,600 400 x 7.00 2,800 400 x 8.00 3,200
16	800 x 6.00 4,800	800 x 6.00 4,800 400 x 7.00 2,800 400 x 8.00 3,200
24 600 x 9.00 5,400		800 x 6.00 4,800 400 x 7.00 2,800 400 x 8.00 3,200 600 x 9.00 5,400
27	800 x 6.00 4,800 200 x 7.00 1,400	200 x 7.00 1.400 400 x 8.00 3,200 600 x 9.00 5,400

Cost of materials issued = 4,800 + 4,800 + 1,400 = 11,000

Cost of ending inventory = 1,400 + 3,200 + 5,400 = 10,000

2, AVERAGE

Received	Issued	Balance
1		1,600 x 6.00 9,600
5 400 x 7.00 2,800		2,000 x 6.20 12.400
9 400 x 8.00 3,200		2,400 x 6.50 15,600
16	800 x 6.50 5,200	1,600 x 6.50 10,400
24 600 x 9.00 5,400		2,200 x 7.18 15,800
27	1,000 x 7.18 7,180	1,200 x 7.18 8,620

Cost of materials issued = 5,200 + 7,180 = 12,380

Cost of ending inventory = 8,620

Problem 7 – Heaven & Earth

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1. FIFO

Issued = 600 x 4.00 = 2,400

Cost of inventory - 200 x 5.00 =- 1,000

500 x 4.50 = 2,250

400 x 4.00 = 1,600

Page 3

2. WEIGHTED AVERAGE

Received		Issued		Balance	
1				1,000 x 4.00	4,000
3		250 x 4.00	1,000	750 x 4.00	3,000
5	500 x 4.50 2,250			1,250 x 4.20	5,250
6		150 x 4.20	630	1,100 x 4.20	4,620
10		110 x 4.20	462	990 x 4.20	4,158
11		(10)x 4.20	(42)	1,000 x 4.20	4,200
15	500 x 5.00 2,500			1,500 x 4.47	6,700
20	(300) x 5.00 (1,500)			1,200 x 4.33	5,200
26		100 x 4.33	433	1,100 x 4.33	4,767

Problem 8 – Sterling Company

A. PERPETUAL

1. FIFO

Received		Issued		Balance	
1				300 x 17.50	5,250
8		_200 x 1750	3,500	100 x 17.50	1,750
10	900 x 18.00 16,200			100 x 17.50 900 x 18.00	1,750 16,200
18		100 x 17.50 500 x 18.00	1,750 9,000	400 x 18.00	7,200
20	1,200 x 18,25 21,900			400 x 18.00 1,200 x 18.25	7,200 21,900
25		400 x 18.00 600 x 18.25	7,200 10,950	600 x 18.25	10,950

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2. AVERAGE

Received			Issued		Balance	
1					300 x 17.50	5,250
8			200 x 17.50	3,500	100 x 17.50	1,750
10	900 x 18.00	16,200			1,000 x 17.95	17,950
18			600 x 17.95	10,770	400 x 17.95	7,180
20	1,200 x 18.25	21,900			1,600 x 18.175	29,080
25			1000 x 18.175	18,175	600 x 18.175	10,906

Problem 9 – Bedrock Company

a. Loss due to spoiled work is spread over all jobs

1.	**Work in process**	**1,320,000**	
	Materials		**360,000**
	Payroll	**480,000**	
	FO Applied		**480,000**
2.	**Spoiled Goods**	**8,000**	
	FO Control		**8,500**
	Work in process (100 x 165)		**16,500**
3.	**Finished goods**	**1,303,500**	
	Work in process		**1,303,500**

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Unit cost = 1,303,500/7,900 = 165

B, Loss due to spoiled work is charged to the specific job

1.	**Work in process**	**1,320,000**	
	Materials		**360,000**
	Payroll	**480,000**	
	FO Applied		**480,000**
2.	**Spoiled Goods**	**8,000**	
	Work in process		**8,000**
3.	**Finished goods**	**1,312000**	
	Work in process		**1,312,000**

Problem 10 – Kyralei Co.

A)1. RAGC is charged with the cost of defective units

a.	**Work in process**		**176,000**	
	Materials			**80,000**
	Payroll		**40,000**	
	FO Applied	**(40,000 x 140%)**		**56,000**
b.	**Work in process**		**23,200**	
	Materials			**4,000**

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		Payroll	8,000	
		FO Applied		11,200
	c.	Finished goods	199,200	
		Work in process		199,200

2. Cost of correcting defective work in not charged to RAGC

	a.	Work in process	180,000	
		Materials		80,000
		Payroll	40,000	
		FO Applied (40,000 x 150%)	60,000	
	b.	FO Control	24,000	
		Materials		4,000
		Payroll	8,000	
	c.	Finished goods	180,000	
		Work in process		180,000

B)

1.		Original cost	2.000 units	176,000
		Additional cost	23,200	
		Total costs		199,200

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	Divide by		**2,000**
	Cost per unit		**99.60**
2.	**Original cost**	**2,000 units**	**180,000**
	Divide by		**2,000**
	Cost per unit		**90.00**

Problem 11 – Little Mermaid

1. Charged to specific job

a.	**Work in process**		**73,000**	
	Materials			**25,000**
	Payroll		**20,000**	
	FO Applied	**(20,000 x 140%)**		**28,000**
b.	**Work in process**		**1,220**	
	Materials			**500**
	Payroll		**300**	
	FO Applied			**420**
c.	**Spoiled goods**		**100**	
	Work in process			**100**
d.	**Finished goods**		**74,120**	
	Work in process			**74,120**

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2. Charged to all production (FO rate should be 150% of direct labor cost)

a.	**Work in process**		**75,000**	
	Materials			**25,000**
	Payroll		**20,000**	
	FO Applied	**(20,000 x 150%)**		**30,000**
b.	**FO Control**		**1,250**	
	Materials			**500**
	Payroll		**300**	
	FO Applied	**(300 x 150%)**	**450**	
c.	**Spoiled Goods**		**100**	
	Factory Overhead Control		**200**	
	Work in process			**300**
d.	**Finished goods**		**74,700**	
	Work in process			**74,700**

3. a. Method used is charged to specific job

Original cost	**5,000 units**	**73,000**

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Additional cost – defective			1,220
Spoiled	(20)	(100)	
Net	4,980		74,120
Divide by			4,980
Cost per unit			14.88

c. Method used is charged to all production

Original cost	5,000 units		75,000
Spoiled	(20)	(300)	
Net	4,980		74,700
Divide by			4,980
Cost per unit			15.00

Problem 12 – Marvin Corporation-

1.	Work in process	300,000	
	Materials		117,000
	Payroll	100,000	
	FO Applied		83,000

2.	Work in process	4,350	
	Materials		1,650
	Payroll	1,500	
	FO Applied		1,200

3.	Spoiled goods	825	

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Work in process **825**

4. Finished goods **303,525**

Work in process **303,525**

Problem 13 – Raindrops Company

$$EOQ = \sqrt{\frac{2 \times 60{,}000 \times 800}{1{,}200}}$$

Problem 14 – Nicole Company

1. Safety stock (5 days x 100 units) **500 units**

2. Reorder point (5 days x 600 units) **3,000 units**

3. Normal maximum inventory = (3,500/2) + 500 units = 2,250 units

4. Absolute maximum inventory = 3,500 + 500 units = 4,000 units

Problem 15 -

$$EOQ = \sqrt{\frac{2 z \ 100{,}000 \times 413}{25.30}}$$

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a. Investment costs

Invoice price	P 125.00
Excise tax (125.00 x 4%)	5.00
Insurance on shipment	2.00
Total	P 132.00

b. Carrying costs

Cost of capital (132.00 x 15%)	P 19.80
Inventory insurance	3.00
Inventory tax (125.00 x 2%)	2.50
Total	P 25.30

c. Ordering costs

Shipping permit	P 300.00
Processing costs	23.00
Unloading	90,00
Total	P 413.00

TRUE/FALSE

1.	True	6.	False	11.	True
2.	False	7.	False	12.	False
3.	False	8.	False	13.	False
4.	True	9.	False	14.	False
5.	True	10.	True	15.	False

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Multiple choice

1,	**a**	**6.**	**b**	**11.**	**a**	**16.**	**d**	**21.**	**d**	**26.**	**a**
2,	**b**	**7.**	**b**	**12.**	**a**	**17.**	**b**	**22.**	**c**	**27.**	**a**
3,	**d**	**8.**	**a**	**13.**	**c**	**18.**	**b**	**23.**	**b**	**28.**	**b**
4,	**a**	**9.**	**c**	**14.**	**c**	**19.**	**a**	**24.**	**c**	**29.**	**d**
5,	**c**	**10.**	**b**	**15.**	**d**	**20.**	**b**	**25.**	**d**	**30.**	**d**

CHAPTER 7 - ACCOUNTING FOR FACTORY OVERHEAD

Problem 1 – Denmark Company

FO rate =	**425,000**	**425,000**	**425,000**	**425,000**	**425,000**
	1,000,000	**500,000 units**	**100,000 MHrs.**	**1,062,500**	**250,000 DLHrs/**
	4.25%of DMC	**P0.85/unit**	**P4/25/MHr.**	**40% of DLC**	**P1.70/DLHr.**

Problem 2 - Marco Company

1. **FO rate = P255,000/100,000 = P 2.55/DLHr.**
2. **FO Applied = 105,000 x P2.55 = P 267,750**

3. FO Control (actual)		**P 270,000**
Less: Applied	**267,750**	
Underapplied		**P 2,250**

Problem 3 – Marvin Company

Requirement A

1. **Work in Process** **473,200**

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FO Applied (84,500 x 5.60) **473,200**

2. FO Control **470,800**
Misc. Accounts **470,800**

3. FO Applied **473,200**
Cost of Goods Sold **2,400**
FO Control **470,800**

FO rate = P 456,120/81,450 = P 5.60/Mach. Hr.

Since the problem is silent, the total variance (overapplied will be closed to Cost of goods sold.

Requirement B

Cost of goods sold 350,000/473,200 x 2,400 =1,775

Finished goods 100,000/473,200 x 2,400 = 507

Work in process 23,200/473,200 x 2,400 = 118

Problem 4 - Ellery Corporation

1.

	Job 123	Job 124	Job 125	Job 126
Direct labor cost	**600**	**940**	**1,400**	**5,120**

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FO rate	180%	180%	180%	180%
Applied FO	1,080	1,692	2,520	9,216

2.

	Job 123	Job 124	Job 125	Job 126	TOTAL
DM	300	1,080	720	4,200	6,300
DL	600	940	1,400	5,120	8,060
FO	1,080	1,692	2,520	9,216	14,508
TOTAL	1,980	3,712	4,640	18,536	28,868

Problem 5 – Thermal Corporation

1. Direct method

	P1	P2	S1	S2
Direct cost	P 90,000	P 60,000	P 20,000	P 32,000
Allocated cost				
S1	10,000	10,000	(20,000)	
S2	20,000	12,000		(32,000)
Total	P120,000	P 82,000		
Base	50,000 MHrs.	20,000 DLHrs		
FO rate	P 2.40/MHr.	P 4.10/DLHr.		

2. Step method

	P1	P2	S1	S2
Direct cost	P 90,000	P 60,000	P 20,000	P 32,000
Allocated cost				
S1	2,000	2,000	(20,000)	16,000
S2	30,000	18,000		(48,000)
Total	P122,000	P 80,000		
Base	50,000 MHrs.	20,000 DLHrs		
FO rate	P 2.44/MHr	P 4.00/DLHr.		

3. Algebraic method

	P1	P2	S1	S2
Direct cost	P 90,000	P 60,000	P 20,000	P 32,000
Allocated				

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S1	3.143	3,143	(31,429)	25,143
S2	28,572	17,143	11,429	(57,143)
Total	P121,715	P80,286		
Base	50,000 MHrs.	20,000 DLHrs		
FO rate	P 2.43/MHr.	P 4.0/DLHr.		

S1 -= 20,000 + 20% S2

S2 = 32,000 + 80% S1

S1 = 20000 + 20%(32,000 + 80% S1)

= 20,000 + 6,400 + .16 S1

S1 - .16S1 = 26.400

S1 = 26,400/.84

= 31,429

S2 = 32,000 + 80% 31,429

= 32,000 + 25,143

= 57,143

Problem 6 – ABC Company

1. Direct method

	Machinery	Assembly	Repair	Cafeteria
Direct cost	P 52,500	P 48,000	P 14,000	P 11,000
Allocated cost				
S1	5,600	8,400	(14,000)	
S2	6,325	4,675		(11.000)
Total	P 64,625	P 61,075		
Base	1,500DLHrs.	1,250 DLHrs		
FO rate	P 42.95DLHr.	P48.86/DLHr.		

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2. Step method

	Machinery	Assembly	Repair	Cafeteria
Direct cost	P 52,500	P 48,000	P 14,000	P 11,000
Allocated cost				
S1	4,119	6,176	(14,000)	3,705
S2	8,455	6,250		(14,705)
Total	P 65,074	P 60,426		
Base	1,500 DLHrs.	1,250 DLHrs		
FO rate	P 43.38/DLHr	P48.34/DLHr.		

3.Algebraic method

	Services rendered by	
	Repair Dept.	Cafeteria Dept.
Repair		3,500 - 46.67%
Cafeteria	1,800 - 26.47%	
Machinery	2,000 - 29.41%	2,300 - 30.67%
Assembly	3,000 - 44.12%	1,700 - 22.66%
	6.800 100.00%	7,500 100.00%

Repair = 14,000 + (46.67%Cafeteria)

Cafeteria = 11,000 + 26.47% Repair

Repair = 14,000 + 46.67% (11,000 + 26.47% R)

= 14,000 + 5,134 + ,1235R

1 - .1235 R = 19,134

R = 19,134/.8765

= 21,830

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Cafeteria = 11,000 + 26.47%R

= 11.000 + 5,778

= 16,778

4. Algebraic method

	Machinery	Assembly	Repair	Cafeteria
Direct cost	P 52,500	P 48,000	P 14,000	P 11,000
Allocated cost				
S1	6,420	9,632	(21,830)	5,778
S2	5,146	3,902	7,830	(16,778)
Total	P 64,066	P 61,534		
Base	1,500 DLHrs.	1,250 DLHrs		
FO rate	P 42.71/DLHr	P49.23/DLHr.		

Problem 7 - Central Parkway Corp.

	P1	P2	5 S1	S2
Direct cost	120,000	80,000	25,000	10,000
Allocated				
S1	13,333	6,667	(26,667)	6,667
S2	8,333	6,667	1,667	(16,667)
Total	141,666	93,334		

S1 = 25,000 + 10% of S2

S2 = 10,000 + 25% of S1

S1 = 25,000 + 10% (10,000 + .25S1

= 25,000 + 1,000 + .025S1

S1 - .025 S1 = 26,000

S1 = 26,000/.975

= 26,667

S2 = 10,000 + .25(26,667)

= 16,667

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Problem 8 – Megastar Company

	95,000 Mach. Hrs.		
	Total	Per Mach.Hr.	
Fixed	34,200	0.36	(34,200/95,000)
Variable	41,800	0.44	(41,800/95,000)
	76,000	0.80	

1.	Actual factory overhead		P 78,600
	Less: Applied (100,000 x .80)		80,000
	Overapplied factory overhead		(1,400)

2.	Actual factory overhead			P 78,600
	Less: Budget allowed on actual hours			
	Fixed	34,200		
	Variable (100,000 x .44)	44,000	78,200	
	Spending variance – unfavorable			P 400

3.	Budged allowed on actual hours		P 78,200
	Less: Applied factory overhead		80,000
	Idge capacity variance favorable		(1,800)

Problem 9 - Abner Company

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	72,000 units		
	Total-	Per unit	
Fixed	P 33,840	P 0.47	(33,840/72,000)
Variable	302400	4.20	(72,000 x 4.20)
Total	P336,200	P 4.67	

1. Actual FO P 15,910

   Less: Applied FO 5,400 units x P 4.67 25,218

   Underapplied FO (P 9.308)

2. Actual FO P 15,910

   Less: Budget allowed on actual hours

Fixed (33,840/12 months)		2,820
Variable (5,400 x 4.20)	22,680	25,500

   Spending variance – favorable (P 9,590)

3. Budged allowed on actual hours P25,500

   Less: Applied 25,218

   Idle capacity variance – unfavorable P 282

Problem 10 - Norman Corporation

1. Variable rate/hour = $\frac{270,000 - 252,000}{60,000 - 48,000}$

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= P1.50/DLHr.

2.

	High	Low
Total	270,000	252,000
Less: Variable		
(60,000 x 1.50)	90,000	
(48,000 x 1.50)	_____	72,000
Fixed	180,000	180,000

2.

Actual factory overhead		273,000
Less: Applied (60,000 x 90%) x 5.25	283,500	
Overapplied FO	(10,500)	

FO rate = 252,000 = 5.25/ DLHrs.

48,000

3.

Actual factory overhead			273,000
Less: Budget allowed on actual hours			
Fixed		180,000	
Variable (54,000 x 1.50)		81,000	261,000
Spending variance			12,000

4.

Budget allowed on actual hours		261,000
Less: Applied	283,500	

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Idle capacity variance	**(22,500)**

Problem 11 – Strawberry Corporation

Actual factory overhead		**30,500**
Less: Applied factory overhead	**39,700**	
Overapplied factory overhead – favorable		**(9,200)**

a. Allocation of overapplied factory overhead

Cost of goods sold	**32,000/39,700**	**x 9,200**	**=**	**7,416**
Finished goods inventory	**4,200/39,700**	**x 9,200**	**=**	**973**
Work in process inventory	**3,500/39,700**	**x 9,200**	**=**	**811**
	39,700			**9,200**

b.

Applied factory overhead	**39,700**	
Cost of goods sold		**7,416**
Finished goods inventory		**973**
Work in process inventory		**811**
Factory overhead control		**30,500**

Problem 12

a)	**Product A**		**Product B**
Direct materials (50 x P120)	**P 6,000**	**(100 x P120)**	**P 12,000**

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Direct labor	**6,000**		**18,000**
Factory overhead (100 x P 25)	**2,500**	**(300 x P 25)**	**7,500**
Total manufacturing cost	**P 14,500**		**P 37,500**
No. of units	**50**		**100**
Cost per unit	**P 290/unit**		**P 375/unit**

Factory overhead rate = P200,750/8,030 direct labor ours = P 25/DLHr.

b)

	Product A		**Product B**
Direct materials (50 x P120)	**P 6,000**	**(100 x P120)**	**P 12,000**
Direct labor	**6,000**		**18,000**
Factory overhead			
Material handling (20 x P50)	**1,000**	**(40 x P50)**	**2,000**
Scheduling & setup (5 x 200)	**1,000**	**(7 x 200)**	**1.400**
Design section (3 x P 107.50)	**322,50**	**(5 x 107.50)**	**537.50**
No. of parts (6 x 100)	**600**	**(10 x 100)**	**1,000**
Total costs	**P 14,922.50**		**P 34,937.50**
No. of units	**50**		**100**
Cost per unit	**P 298.45/unit**		**P 349.38/unit**

TRUE/FALSE

1. True	**6. True**	**11. False**
2. False	**7. True**	**12. False**
3. True	**8. True**	**13. True**

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4. True **9. False** **14. True**

5. True **10. True** **15. True**

MULTIPLE CHOICE – THEORY

1.	**c**	**6.**	**d**
2.	**c**	**7.**	**c**
3.	**d**	**8.**	**a**
4.	**b**	**9.**	**d**
5.	**d**	**10.**	**A**
6.			

MULTIPLE CHOICE - PROBLEMS

1.	**a**	**11.**	**d**	**21.**	**b**
2.	**b**	**12.**	**a**	**22.**	**d**
3.	**c**	**13.**	**b**	**23.**	**a**
4.	**c**	**14.**	**c**	**24.**	**b**
5.	**c**	**15.**	**c**	**25.**	**c**
6.	**c**	**16.**	**c**	**26.**	**c**
7.	**c**	**17.**	**b**	**27.**	**d**
8.	**a**	**18.**	**a**	**28.**	**c**
9.	**d**	**19.**	**a**	**29.**	**d**
10.	**d**	**20.**	**a**	**30.**	**d**

CHAPTER 7 - ACCOUNTING FOR FACTORY OVERHEAD

Problem 1 – Denmark Company

FO rate = 425,000 425,000 425,000 425,000 425,000

1,000,000 500,000 units 100,000 MHrs. 1,062,500 250,000 DLHrs/

4.25%of DMC P0.85/unit P4/25/MHr. 40% of DLC P1.70/DLHr.

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Problem 2 - Marco Company

4. **FO rate = P255,000/100,000 = P 2.55/DLHr.**
5. **FO Applied = 105,000 x P2.55 = P 267,750**

6. **FO Control (actual) P 270,000**
   Less: Applied 267,750
   Underapplied P 2,250

Problem 3 – Marvin Company

Requirement A

5. **Work in Process 473,200**
   FO Applied (84,500 x 5.60) 473,200

6. **FO Control 470,800**
   Misc. Accounts 470,800

7. **FO Applied 473,200**
   Cost of Goods Sold 2,400
   FO Control 470,800

   FO rate = P 456,120/81,450 = P 5.60/Mach. Hr.

   Since the problem is silent, the total variance (overapplied will be closed to Cost of goods sold.

Requirement B

Cost of goods sold 350,000/473,200 x 2,400 =1,775

Finished goods 100,000/473,200 x 2,400 = 507

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Work in process **23,200/473,200 x 2,400 = 118**

Problem 4 - Ellery Corporation

1.

	Job 123	Job 124	Job 125	Job 126
Direct labor cost	600	940	1,400	5,120
FO rate	180%	180%	180%	180%
Applied FO	1,080	1,692	2,520	9,216

2.

	Job 123	Job 124	Job 125	Job 126	TOTAL
DM	300	1,080	720	4,200	6,300
DL	600	940	1,400	5,120	8,060
FO	1,080	1,692	2,520	9,216	14,508
TOTAL	1,980	3,712	4,640	18,536	28,868

Problem 5 – Thermal Corporation

1. Direct method

	P1	P2	S1	S2
Direct cost	P 90,000	P 60,000	P 20,000	P 32,000
Allocated cost				
S1	10,000	10,000	(20,000)	

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S2	20,000	12,000		(32,000)
Total	P120,000	P 82,000		
Base	50,000 MHrs.	20,000 DLHrs		
FO rate	P 2.40/MHr.	P 4.10/DLHr.		

2. Step method

	P1	P2	S1	S2
Direct cost	P 90,000	P 60,000	P 20,000	P 32,000
Allocated cost				
S1	2,000	2,000	(20,000)	16,000
S2	30,000	18,000		(48,000)
Total	P122,000	P 80,000		
Base	50,000 MHrs.	20,000 DLHrs		
FO rate	P 2.44/MHr	P 4.00/DLHr.		

3. Algebraic method

	P1	P2	S1	S2
Direct cost	P 90,000	P 60,000	P 20,000	P 32,000
Allocated				
S1	3.143	3,143	(31,429)	25,143
S2	28,572	17,143	11,429	(57,143)
Total	P121,715	P80,286		
Base	50,000 MHrs.	20,000 DLHrs		
FO rate	P 2.43/MHr.	P 4.0/DLHr.		

S1 -= 20,000 + 20% S2

S2 = 32,000 + 80% S1

S1 = 20000 + 20%(32,000 + 80% S1)

= 20,000 + 6,400 + .16 S1

S1 - .16S1 = 26.400

S1 = 26,400/.84

= 31,429

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S2 **= 32,000 + 80% 31,429**

= 32,000 + 25,143

= 57,143

Problem 6 – ABC Company

1. Direct method

	Machinery	Assembly	Repair	Cafeteria
Direct cost	P 52,500	P 48,000	P 14,000	P 11,000
Allocated cost				
S1	5,600	8,400	(14,000)	
S2	6,325	4,675		(11,000)
Total	P 64,625	P 61,075		
Base	1,500DLHrs.	1,250 DLHrs		
FO rate	P 42.95DLHr.	P48.86/DLHr.		

2. Step method

	Machinery	Assembly	Repair	Cafeteria
Direct cost	P 52,500	P 48,000	P 14,000	P 11,000
Allocated cost				
S1	4,119	6,176	(14,000)	3,705
S2	8,455	6,250		(14,705)
Total	P 65,074	P 60,426		
Base	1,500 DLHrs.	1,250 DLHrs		
FO rate	P 43.38/DLHr	P48.34/DLHr.		

3.Algebraic method

	Services rendered by	
	Repair Dept.	Cafeteria Dept.
Repair		3,500 - 46.67%
Cafeteria	1,800 - 26.47%	
Machinery	2,000 - 29.41%	2,300 - 30.67%

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Assembly	3,000	- 44.12%	1,700	- 22.66%
	6.800	100.00%	7,500	100.00%

Repair = 14,000 + (46.67%Cafeteria)

Cafeteria = 11,000 + 26.47% Repair

Repair = 14,000 + 46.67% (11,000 + 26.47% R)

= 14,000 + 5,134 + ,1235R

1 - .1235 R = 19,134

R = 19,134/.8765

= 21,830

Cafeteria = 11,000 + 26.47%R

= 11.000 + 5,778

= 16,778

8. Algebraic method

	Machinery	Assembly	Repair	Cafeteria
Direct cost	P 52,500	P 48,000	P 14,000	P 11,000
Allocated cost				
S1	6,420	9,632	(21,830)	5,778
S2	5,146	3,902	7,830	(16,778)
Total	P 64,066	P 61,534		
Base	1,500 DLHrs.	1,250 DLHrs		
FO rate	P 42.71/DLHr	P49.23/DLHr.		

Problem 7 - Central Parkway Corp.

	P1	P2	5 S1	S2
Direct cost	120,000	80,000	25,000	10,000
Allocated				
S1	13,333	6,667	(26,667)	6,667
S2	8,333	6,667	1,667	(16,667)

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Total	141,666	93,334		

S1 = 25,000 + 10% of S2

S2 = 10,000 + 25% of S1

S1 = 25,000 + 10% (10,000 + .25S1

= 25,000 + 1,000 + .025S1

S1 - .025 S1 = 26,000

S1 = 26,000/.975

= 26,667

S2 = 10,000 + .25(26,667)

= 16,667

Problem 8 – Megastar Company

		95,000 Mach. Hrs.	
	Total	Per Mach.Hr.	
Fixed	34,200	0.36	(34,200/95,000)
Variable	41,800	0.44	(41,800/95,000)
	76,000	0.80	

1.	Actual factory overhead	P 78,600
	Less: Applied (100,000 x .80)	80,000
	Overapplied factory overhead	(1,400)

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2.	**Actual factory overhead**		**P 78,600**
	Less: Budget allowed on actual hours		
	Fixed	**34,200**	
	Variable (100,000 x .44)	**44,000**	**78,200**
	Spending variance – unfavorable		**P 400**

3.	**Budged allowed on actual hours**		**P 78,200**
	Less: Applied factory overhead		**80,000**
	Idge capacity variance favorable		**(1,800)**

Problem 9 - Abner Company

	72,000 units	
	Total-	**Per unit**
Fixed	**P 33,840**	**P 0.47** (33,840/72,000)
Variable	**302400**	**4.20** (72,000 x 4.20)
Total	**P336,200**	**P 4.67**

1.	**Actual FO**		**P 15,910**
	Less: Applied FO 5,400 units x P 4.67		**25,218**
	Underapplied FO		**(P 9.308)**

2.	**Actual FO**		**P 15,910**
	Less: Budget allowed on actual hours		
	Fixed (33,840/12 months)	**2,820**	
	Variable (5,400 x 4.20)	**22,680**	**25,500**

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Spending variance – favorable **(P 9,590)**

3. **Budged allowed on actual hours** **P25,500**

Less: Applied **25,218**

Idle capacity variance – unfavorable **P 282**

Problem 10 - Norman Corporation

1. **Variable rate/hour = 270,000 – 252,000**

60,000 - 48,000

= P1.50/DLHr.

2.

	High	Low
Total	**270,000**	**252,000**
Less: Variable		
(60,000 x 1.50)	**90,000**	
(48,000 x 1.50)		**72,000**
Fixed	**180,000**	**180,000**

2. **Actual factory overhead** **273,000**

Less: Applied (60,000 x 90%) x 5.25 **283,500**

Overapplied FO **(10,500)**

FO rate = 252,000 = 5.25/ DLHrs.

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48,000

3.	**Actual factory overhead**			**273,000**
	Less: Budget allowed on actual hours			
	Fixed	**180,000**		
	Variable (54,000 x 1.50)	**81,000**	**261,000**	
	Spending variance			**12,000**

4.	**Budget allowed on actual hours**		**261,000**
	Less: Applied	**283,500**	
	Idle capacity variance	**(22,500)**	

Problem 11 – Strawberry Corporation

	Actual factory overhead		**30,500**
	Less: Applied factory overhead	**39,700**	
	Overapplied factory overhead – favorable		**(9,200)**

b. Allocation of overapplied factory overhead

Cost of goods sold	**32,000/39,700**	**x**	**9,200**	**=**	**7,416**
Finished goods inventory	**4,200/39,700**	**x**	**9,200**	**=**	**973**
Work in process inventory	**3,500/39,700**	**x**	**9,200**	**=**	**811**
	39,700				**9,200**

b.	**Applied factory overhead**	**39,700**	
	Cost of goods sold		**7,416**

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Finished goods inventory	**973**
Work in process inventory	**811**
Factory overhead control	**30,500**

Problem 12

a)	**Product A**		**Product B**
Direct materials (50 x P120)	**P 6,000**	**(100 x P120)**	**P 12,000**
Direct labor	**6,000**		**18,000**
Factory overhead (100 x P 25)	**2,500**	**(300 x P 25)**	**7,500**
Total manufacturing cost	**P 14,500**		**P 37,500**
No. of units	**50**		**100**
Cost per unit	**P 290/unit**		**P 375/unit**

Factory overhead rate = P200,750/8,030 direct labor ours = P 25/DLHr.

b)

	Product A		**Product B**
Direct materials (50 x P120)	**P 6,000**	**(100 x P120)**	**P 12,000**
Direct labor	**6,000**		**18,000**
Factory overhead			
Material handling (20 x P50)	**1,000**	**(40 x P50)**	**2,000**
Scheduling & setup (5 x 200)	**1,000**	**(7 x 200)**	**1.400**

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Design section (3 x P 107.50)	**322,50**	**(5 x 107.50)**	**537.50**
No. of parts (6 x 100)	**600**	**(10 x 100)**	**1,000**
Total costs	**P 14,922.50**		**P 34,937.50**
No. of units	**50**		**100**
Cost per unit	**P 298.45/unit**		**P 349.38/unit**

TRUE/FALSE

1. True	**6. True**	**11. False**
2. False	**7. True**	**12. False**
3. True	**8. True**	**13. True**
4. True	**9. False**	**14. True**
5. True	**10. True**	**15. True**

MULTIPLE CHOICE – THEORY

7.	**c**	**6.**	**d**
8.	**c**	**7.**	**c**
9.	**d**	**8.**	**a**
10.	**b**	**9.**	**d**
11.	**d**	**10.**	**A**
12.			

MULTIPLE CHOICE - PROBLEMS

11.	**a**	**11.**	**d**	**21.**	**b**
12.	**b**	**12.**	**a**	**22.**	**d**
13.	**c**	**13.**	**b**	**23.**	**a**
14.	**c**	**14.**	**c**	**24.**	**b**
15.	**c**	**15.**	**c**	**25.**	**c**
16.	**c**	**16.**	**c**	**26.**	**c**
17.	**c**	**17.**	**b**	**27.**	**d**
18.	**a**	**18.**	**a**	**28.**	**c**
19.	**d**	**19.**	**a**	**29.**	**d**
20.	**d**	**20.**	**a**	**30.**	**d**

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A

CHAPTER 9 – PROCESS COSTING

Problem 1 -			**Mat. & Conversion**	
		Actual	**WD**	**EP**
a)	**Units completed**	**8,000**		**100%** **8,000**
	Units IP end	**2,000**	**1/2**	**1,000**
		10,000		**9,000**
b)	**Units completed**	**21,000**		**100%** **21,000**
	Units IP end	**4,000**		**3/4** **3,000**
		25,000		**24,000**
c)	**Units completed**	**6,000**		**100%** **6,000**
	Units IP end	**1,000**		**3/4** **750**
		500		**2/5** **200**

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		7,500		6,950
d)	Units completed	18,000	100%	18,000
	Units IP end	5,000	½	2,500
		4,000	¾	3,000
		27,000		23,500
e)	Units completed	32,000	100%	32,000
	Units IP end	1,500	1/5	300
		4,000	¾	3,000
		37,500		35,300

Problem 2 - Casper Corporation

1)	Units started	11,000		
	Units completed	9,000	100%	9,000
	Units in process, end	2,000	¾	1,500
		11,000		10,500

2)	Materials	Labor	Overhead
Cost incurred	P 15,750	P 40,950	P 25,200
Equivalent prod.	10,500	10,500	10,500
Unit cost	P 1.50	P 3,90	P 2.40

Problem 3 -

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Case 1

		Materials		Conversion	
	Started 5,000	WD	EP	WD	EP
Completed	4,000	100%	4,000	100%	4,000
In process, end	1,000	100%	1,000	¾	750
	5,000		5,000		4,750

Case 2

Received	50,000				
Completed	44,000	100%	44,000	100%	44,000
In process end	6,000	-		¼	1,500
	50,000		44,000		45,500

Case 3

Started	35,000				
Completed	29,000	100%	29,000	100%	29,000
In process, end	3,000	75%	2,250	1/3	1,000
	3,000	100%	3,000	1/2	1,500
	35,000		34,250		31,500

Page 2

Problem 4 - Bewitched Co.

Started 15,000

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Completed	12,000	100%	12,000	100%	12,000
In process end	3,000	50%	1,500	2/5	1,200
	15,000		13,500		13,200

Unit cost

M = 60,000/13,500 = 4.44444 L = 79,200/13,200 = 6 OH = 52,800/13,200 =4

2. Completed & transferred (12,000 x 14.44444) 173,333

3. In process, end

Materials	(1,500 x 4.44444)	6,667
L & OH	(1,200 x 10)	12,000
		18,667

Problem 5 - ABM Company

	Department 1			Department 2		
	Materials		Conversion	Materials		Conversion
	Actual	EP	EP	Actual	EP	EP
Started/received	60,000			40,000		
Completed	40,000	40,000	40,000	30,000	30,000	30,009
IP, end	20,000	20,000	15,000	10,000	5,000	8,000
	60,000	60,000	55,000	40,000	35,000	38,000

Costs charged to the department

Cost from preceding dept.	720,000	18.00
Cost added in the dept.		

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Materials	480,000	8.00	245,000	7.00
Labor	330,000	6.00	190,000	5.00
Overhead	220,000	4.00	114,000	3.00
Total costs added	1,030.000	18.00	549,000	15.00
Total costs	1,030,000	18.00	1,269,000	33.00

Total costs accounted for as follows:

C & T (40,000 x 18)	720,000	(30,000 x 33)	990,000
IP end			
Cost from preceding dept.		(10,000 x 18)	180,000
Materials (20,000 x 8)	160,000	(5,000 x 7)	35,000
Labor (15,000 x 6)	90,000	(8,000 x 5)	40,000
Overhead (15,000 x 4)	60,000	(8,000 x 3)	24,000
	310,000		279,000
Total cost as accounted for	1,030,000		1,269,000

Problem 6 - Ten Ten Corporation

	Actual	Strawberry		Chocolate		Conversion	
1, Units started	100,000	WD	EP	WD	EP	WD	EP
Completed	90,000	100%	90,000	100%	90,000	100%	90,000
IP end	10,000	100%	10,000		____	70%	7,000
	100,000		100,000		90,000		97,000

2. Unit cost

Strawberry = 180,000/100,000 = 1.80

Chocolate = 135,000/ 90,000 = 1.50

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Conversion = 116,400/97,000 = 1,20

3. **Completed & transferred (90,000 x 4.50)** **405,000**

4. **In process, end**

Strawberry (10,000 x 1.80)	**18.000**
Chocolate	**-**
Conversion (7,000 x 1.20)	**8,400**
	26,400

page 3

Problem 7 – Lenlen Corporation

a) **Lost units – discovered at the beginning**

Units received	**80,000**						
Units completed	**60,000**	**100%**	**60,000**		**100%**	**60,000**	
Units IP end	**10,000**		**100%**	**10,000**		**50%**	**5,000**
Units lost	**10,000**		**-**	**-**			**-**
	80,000			**70,000**			**65,000**

Costs accounted for as follows:

Cost from preceding dept.	**560,000**	**8.00**
Cost added in the department		
Materials	**175,000**	**2.50**
Labor	**121,875**	**1.875**
Overhead	**243,750**	**3.75**
Total cost added	**540,625**	**8,125**
Total costs	**1,100,626**	**16.125**

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Cost accounted for as follows:

Completed and trsnsferred (60,000 x 16.125)			**967,500**
In process, end			
Cost from preceding dept. (10,000 x 8)	**80,000**		
Materials (10,000 x 2.50)	**25,000**		
Labor (5,000 x 1.875)		**9,375**	
Overhead (5,000 x 3.75)		**18,750**	**133,125**
Total costs as accounted for			**1.100,625.**

b) Normal – discovered at the end

Units completed	**60,000**	**100%**	**60.000**	**100%**	**60,000**
Units IP end	**10,000**	**100%**	**10,000**	**50%**	**5,000**
Units lost	**10,000**	**100%**	**10,000**	**100%**	**10,000**
	80,000		**80,000**		**75,000**

Costs charged to the department

Cost from preceding dept.	**560,000**	**7.00**
Cost added in the dept.		
Materials	**175,000**	**2.1875**
Labor	**121,875**	**1.625**
Overhead	**243,750**	**3.25**
Total costs added	**540,625**	**7.0625**
Total costs	**1,100,625**	**14.0625**

Total costs accounted for as follows:

Comp. & gransf. (60,000 x 14.0625) + (10,000 x 14.0625)		**984,375**
IP end		
Cost from prec. Dept. (10,000 x 7)	**70,000**	
Materials (10,000 x 2.1875)	**21,875**	

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Labor (5,000 x 1.625)	8,125		
Overhead (5,000 x 3.25)		16,250	116,250
Total costs as accounted for			1,100,625

c) Abormal – discovered when 60% completed

Units completed	60,000	100%	60,000	100%	60,000	
Unitx IP ed	10,000	100%	10,000	50%	5,000	
Units lost	10,000	100%	10,000	60%	6,000	
	80.000		80,000		71,000	

Costs charged to the department

Cost from preceding dept.	560,000	7.00	
Cost added in the dept.			
Materials	175,000	2.1875	
Labor	121,875	1.71655	
Overhead	243,750	3.43309	
Total added	540,625	7.33714	Total costs
	1,100,625	14.33714	

Total costs as accounted for

Comp. & transf. (60,000 x 14.33714)			860,228
FOC (10,000 x 7.00) + (10,000 x 2.1875) + (6,000 x 5.14964)			122,773
IP, end			
Cost from prec. Dept (10,000 x 7.00)		70,000	
Materials (10,000 x 2.1875)		21,875	
Labor (6,000 x 1.71655)	8,583		
Overhead (6,000 x 3.43309)	17,166		117,624

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Total cost as accounted for **1,100,625**

d) Lost – abnormal discovered at the end

Note - Equivalent production and unit costs are the same as lost – Normal discovered at the end. The difference is only on the allocation of the cost.

Completed & transferred (60,000 x 14.0625)			**843,750**
Spoiled goods (10,000 x 12.00)		**120,000**	
FOC 10,000 (14.0625 – 12.00)		**20,625**	
IP end			
Cost from prec. (10,000 x 7)	**70,000**		
Materials (10,000 x 2.1875)	**21.875**		
Labor (5,000 x 1.625)	**8,125**		
Overhead (5,000 x 3.25)		**16,250**	**116,250**
Total costs as accounted for			**1,100,625**

Problem 8 - Briones Company

Units received	**28,000**					
Units completed	**16,000**	**100%**	**16,000**	**100%**	**16,000**	
Units IP end	**10,000**		**-**	**60%**	**6,000**	
Units lost – normal	**800**		**-**	**100%**	**800**	
Units lost – abnormal	**1,200**		**-**	**100%**	**1,200**	
	28,000		**16,000**		**24,000**	

Cost charged to the department

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Cost from preceding department	**280,000**	**10.00**
Cost added in the department		
Materials	**24,000**	**1.50**
Conversion	**180,000**	**7.50**
Total added	**204,000**	**9.00**
Total costs to be accounted for	**484,000**	**19.00**

Costs accounted for as follows:

Completed & transf. (16,000 x 19) + (800 x 17.50)			**318,000**
FOC (1,200 x 17.50)		**21,000**	
IP end			
Cost from preceding dept. (10,000 x 10)	**100,000**		
Materials		**-**	
Conversion (6,000 x 7.50)	**45,000**	**145,000**	
Total costs as accounted for			**484,000**

Problem 9 - SLEX Corporation

Started/received	**60,000**			**36,000**		
Increase in units	**_____**			**9,000**		
	60,000			**45,000**		
Completed	**36,000**	**36,000**	**36,000**	**39,000**	**39,000**	**39,000**
IP, end	**9,000**	**9,000**	**3,000**	**6,000**	**6,000**	**2,400**
Lost	**15,000**	**_____**	**_____**	**_____**	**_____**	**_____**
	60,000	**45,000**	**39,000**	**45,000**	**45,000**	**41,400**

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Page 5

Cost charged to the department

Cost from prec. Dept.			**230,400**	**5.12**
Cost added in the dept.				
Materials	**180,000**	**4.00**	**135,000**	**3.00**
Labor	**78,000**	**2.00**	**82,800**	**2.00**
Overhead	**15,600**	**0.40**	**41,400**	**1.00**
Total added	**273,600**	**6.40**	**259,200**	**6.00**
Total costs	**273,600**	**6.40**	**489,600**	**11.12**

Costs accounted for as follows:

Completed (36,000 x 6.40)		**230,400**	**(30,000 x 11.12)**		**433,680**
IP end					
Cost from prec. Dept.			**(6,000 x 5.12)**	**30,720**	
Mat. (9,000 x 4)	**36,000**		**(6,000 x 3.00)**	**18,000**	
Labor (3,000 x 2)	**6,000**		**(2,400 x 2.00)**	**4,800**	
OH (3,000 x 0.40)	**1,200**	**43,200**	**(2,400 x 1.00)**	**2,400**	**55,920**
		273,600			**489,600**

Problem 10

Received	**5,000**				
Completed	**3,800**	**100%**	**3,800**	**100%**	**3,800**
IP end	**800**	**40%**	**320**	**20**	**160**
Lost	**400**	**100%**	**400**	**100%**	**400**
	5,000		**4,520**		**4,360**

Costs charged to the dept.

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Cost from prec. Dept	60,000	12.00
Cost added in the dept.		
Materials	22.600	5.00
Conversion cost	17,440	4.00
Total added	40,040	9.00
Total costs as accounted for	100,040	21,00

Costs accounted for as follows

Completed (3.800 x 21)		79,800
Spoiled goods (400 x 15)		6,000
FOC 400 x (21 – 15)		2,400
IP end		
Cost from prec. Dept. (800 x 12)		9,600
Mat. (320 x 5)	1,600	
Conversion (160 x 4)	640	11,840
Total costs as accounted for		100,040

Problem 11 - Diamond Company

Units received	55,000				
Increase in units	5,000				
	60,000				
Units completed	45,000	100%	45,000	100%	45,000
Units completed & on hand	3,000	100%	3,000	100%	3,000
Units IP end	12,000	100%	12,000	70%	8,400
	60,000		60,000		56,400

Costs charged to the department

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Cost from prec. Dept.	**24,750**	**0.4125**
Cost added in the dept.		
Materials	**7,200**	**0.12**
Conversion cost	**53,580**	**0,95**
Total added	**60,780**	**1.07**
Total costs	**85,530**	**1.4825**

Total costs accounted for as follows:

Completed and transferred (45,000 x 1.4825)			**66,712.50**
Completed and on hand (3,000 x 1.4825		**4,447.50**	
IP end			
Cost from prec. Dept. (12,000 x0.4125)	**4,950**		
Materials (12,000 x 0.12)	**1,440**		
Conversion cost (8,400 x 0.95)	**7,980**	**14,370**	**18,817.50**
			85,530

Page 6

Multiple choice

1.	**C**	**11.**	**D**	**21.**	**C**	**31**	**B**
2.	**C**	**12.**	**B**	**22.**	**C**	**32.**	**A**
3.	**B**	**13.**	**B**	**23.**	**B**	**33.**	**7,189.50**
4.	**B**	**14.**	**D**	**24.**	**C**		

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5.	**C**	**15.**	**D**	**25.**	**D**
6.	**B**	**16.**	**A**	**26.**	**A**
7.	**C**	**17.**	**D**	**27.**	**B**
8.	**C**	**18.**	**C**	**28.**	**D**
9.	**B**	**19.**	**B**	**29.**	**D**
9.	**D**	**20.**	**D**	**30.**	**B**
10.	**D**				

CHAPTER 10 - AVERAGE AND FIFO COSTING

TRUE OR FALSE

1.	**TRUE**
2.	**TRUE**
3.	**TRUE**
4.	**FALSE**
5.	**TRUE**
6.	**TRUE**
7.	**FALSE**
8.	**TRUE**
9.	**TRUE**
10.	**TRUE**

MULTIPLE CHOICE - THEORY

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

Problem 1

1) FIFO

Units in process, beg.	**10,000**
Units started	**50,000**
	60,000

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Units completed & transferred (40,000)

IP beg.	10,000		70%	7,000	
Started & completed	45,000	100%	45,000	100%	45,000
Units in process, end	5,000	100%	5,000	60%	3,000
	60,000		50,000		55,000

2) AVERAGE

Units in process, beg.	10,000				
Units started	50,000				
	60,000				
Units completed	55,000	100%	55,000	100%	55,000
Units IP end	5,000	100%	5,000	60%	3,000
	60,000		60,000		58,000

Problem 2

1) FIFO

Units in process, beg.	3,000				
Units started	50,000				
	53,000				

Units completed & transferred (45,000)

IP beg.	3,000		25%	750	
Started & completed	42,000	100%	42,000	100%	42,000
Units in process, end	8,000	100%	8,000	60%	4,800
	53,000		50,000		47,550

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PAGE 2

2) AVERAGE

Units in process, beg.	**3,000**				
Units started	**50,000**				
	53,000				
Units completed	**45,000**	**100%**	**45,000**	**100%**	**45,000**
Units IP end	**8,000**	**100%**	**8,000**	**60%**	**4,800**
	53,000		**53,000**		**49,800**

Problem 3

1)

Units in process beg.	**300**				
Units started	**2,000**				
	2.300				
Units comp. & transf. (1,700)					
IP beg.	**300**	**40%**	**120**	**70%**	**210**
Started & completed	**1,400**	**100%**	**1,400**	**100%**	**1,400**
Units in process, end	**600**	**40%**	**240**	**20%**	**120**
	2,300		**1,760**		**1,730**

2)

540

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Unit cost - Materials 3,714/1760 = 2.110227

Conversion 2,258/1730 = 1.305202

6,512 3.415429

3) Cost of units transferred out

From IP beg.

Cost last month 540

Cost added Mat. (120 x 2.110227) 253

Conversion (210 x 1.305202) 274 1,067

From units started & completed (1,400 x 3.415429) 4,782

5,849

4) Cost of ending inventory

Materials (240 x 2.110227) 507

Conversion (120 x 1.305202) 156

663

Problem 4 -

1) FIFO

Units in process, beg	**8,000**				
Units started	**14,000**				
	22,000				
Units Completed (17,000)					
IP beg.	**8,000**	**70%**	**5,600**	**70%**	**5,600**
Started & completed	**9,000**	**100%**	**9,000**	**100%**	**9,000**
Units in process, end	**5,000**	**80%**	**4,000**	**40%**	**2,000**

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22,000	18,600	16,600

Page 3

		48,240		
Unit cost	Materials	126,852/18,000	=	6.82
	Conversion	219,120/16,600	=	13.20
		394,212		20.02

Completed & transf.

IP beg.

Cost labor month	48,240		
Cost added (5,600 x 20.02)	112,112	160,352	
Started & completed (9,000 x 20.02)		180,180	340,532

IP end

Materials (4,000 x 6.82)		27,280	
Conversion (2,000 x 13.20)		26,400	53,680
			394,212

2) AVERAGE

Units completed	17,000	100%	17,000	100%	17,000	
Units IP end	5,000	80%	4,000	40%	2,000	
	22,000		21,000		19,000	

Unit cost Materials 16,440 + 126,852 = 6.823428

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21,000

Conversion = 31800 + 219,120 = 13.206316

19,000 20.029744

Completed & transferred (17,000 x 20.029744) 340,506

IP end

Materials (4,000 x 6.823428) 27,294

Conversion (2000 x 13.206316) 26,412 53,706

394,212

Problem 5 – Auto Novelties, Inc.

a. Average

1) Units in process beg. 15,000

Units started 250,000

265,000

Units completed & transf.	245,000	100%	245,000	100%	245,000
Units in process end	20,000	100%	20,000	40%	8,000
	265,000		265,000		253,000

2) Unit cost Materials 210,000 + 3,500,000 = 14.00

265,000

Converion 60,000 + 1,458,000 = 6.00

253,000 20,00

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3) Completed & transf. (245000 x 20) 4,900,000

4) IP ined

Materials ((20,000 x 14) 280,000

Conversion (8000 x 6) 48,000 328,000

5,228,000

b) FIFO

1) Units completed (245,000)

IP beg	15,000	-		1/3	5,000
Started & completed	230,000	100%	230,000	100%	230,000
Units IP beg.	20,000	100%	20,000	40%	8,000
	265,000		250,000		243,000

2)Unit cost: Materials 3,500,000/250,000 = 14.00

Conversion 1,458000/243,000 = 6.00

20.00

3) Completed& transferred

From IP beg.

Cost last month 270,000

Cost added (5,000 x 6) 30,000 300,000

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From started & completed	(230,000 x 20)	4,600,000	4,900,000

4) IP end

Materials (20,000 x 14)	280,000	
Conversion (8,000 x 6)	48,000	328,000
		5,228,000

Problem 6 - Ellery Company

A) AVERAGE

1) Units IP beg. 15,500

Units started 36,000

51,500

Units completed	48,000	100%	48,000	100%	48,000	
Units IP ed	3,500	100%	3,500	45%	1,575	
	51,500		51,500		49,575	

2) Unit cost

Materials $\frac{7,800 + 54,000}{51,500} = 1.20$

Conversion $\frac{20,150 + 79,000}{49,575} = 2.00$

3.20

3) Completed & transferred (48,000 x 3.20) 153,600

4) IP end

Materials (3,500 x 1.20)	4,200	
Conversion (1,575) x 2.00)	3,150	7,350

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160,950

Page 5

B) FIFO

1) Units IP beg	**15,500**					
Units started	**36,000**					
	51,500					
Units completed (48,000)						
IP beg.	**15,500**		**-**		**35%**	**5,425**
Started & completed	**32,500**	**100%**	**32,500**	**100%**		**32,500**
Units IP end	**3,500**	**100%**	**3,500**	**45%**		**1,575**
	51,500		**36,000**			**39,500**

2) Unit cost **IP beg.** **27,950**

Materials **54,000/36000** **=** **1.50**

Conversion **79,000/39,500** **=** **2.00**

160,950 **3.50**

3) Completed & transferred

IP beg.

Cost last month	**27,950**	
Cost added (5,425 x 2)	**10,850**	
Started & completed (32,500 x 3.50)	**113,750**	**152,550**

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4) IP end

Materials (3,500 x 1.50)	**5,250**	
Conversion (1,575 x 2)	**3,150**	**8,400**
		160,950

Problem 7 - GDL Company

A) AVERAGE

Units IP beg	**10,000**				
Units received	**40,000**				
	50,000				
Units completed	**35,000**	**100%**	**35,000**	**100%**	**35,000**
Units IP end	**10,000**	**100%**	**10,000**	**50%**	**5,000**
Units lost – normal	**5,000**				
	50,000		**45,000**		**40,000**

Unit cost

Cost from preceding dept. $\frac{40,000 + 140,000}{50,000 - 5,000} = 4.00$

Materials $\frac{20,000 + 70,000}{45,000} = 2.00$

Labor $\frac{39,000 + 162,500}{} = 5.0375$

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40,000

Overhead 42,000 + 130,000 = 4.30

40,000

15.3375

Page 6

Problem 7 – continuation

Completed & transferred (35,000 x 15.3375) 536,812.50

IP end

Cost from prec. Dept (10,000 x 4)		40,000.00
Materials	(10,000 x 2)	20,000.00
Labor	(5,000 x 5.0375)	25,187.50
Overhead	(5,000 x 4.30)	21,500.00
		106,687.50

B)FIFO

Units IP beg. 10,000

Units received 40,000

50,000

Units completed (35,000)

IP beg.	10,000	-	1/4	2.500	
Started & completed	25,000	100%	25,000	100%	25,000
Units IP end	10,000	100%	10,000	1/2	5,000

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Units lost	**5,000**		
	50,000	**35,000**	**32,500**

Unit cost

IP beg.	**141,000**		
From preceding dept.	**140,000/40,000 – 5,000**	**=**	**4.00**
Materials	**70,000/35,000**	**=**	**2.00**
Labor	**162,500/32,500**	**=**	**5.00**
Overhead	**130,000/32,500**	**=**	**4.00**
	643,500		**15.00**

Completed & transferred *35000)

IP beg	
Cost last month	**141,000**
Cost added (2.500 x 9)	**22,500**
Received & completed (25,000 x 15)	**375,000**
	538,500

IP end

Cost from preceding dept. (10,000 x 4)	**40,000**	
Materials **(10,000 x 2)**	**20,000**	
Labor **(5,000 x 5)**	**25,000**	
Overhead **(5,000 x 4)**		**20,000**
		105,000

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Page 8 - Janice Manufacturing Co.

Units in process, beg.	**2,000**		
Units received from preceding dept.	**9,000**		
	11,000		
Units comp. & transf.	**8,000**		
IP beg.	**2,000**	**50%**	**1,000**
Received & completed	**6,000**	**100%**	**6,000**
Units in process, end	**3,000**	**1/3**	**1,000**
	11,000		**8,000**

Cost – IP beg.	**10,250**	
Cost from precedig dept.	**36,000**	**P 4.00**
Cost added in the dept		
Materials	**4,000**	**.50**
Labor	**8,000**	**1.00**
Overhead	**6,000**	**.75** .
	18,000	**2,25**

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Total costs to be accounted from 64,250 6.25

Costs accounted for as follows:

Cost of units completed & transf.

IP beg. 10,250

Cost added (1,000 x 2.25) 2,250 12,500

Cost & transf. (6,000 x 6.25) 37,500 50,000

IP end

Cost from preceding (3,000 x 4.00) 12,000

M, L, O (1,000 x 2.25) 2,250 14,250

Total costs as accounted for 64,250

Problem 9 – Norman Corporation

AVERAGE METHOD

Units IP beg.		1,000						
Units started		9,000						
		10,000						
Units completed & transferred	8,000	100%	8,000	100%	8,000	100%	8,000	
Units IP end		1,500	100%	1,500	75%	1,125	50%	750
Units lost – abnormal		500	100%	500	100%	500	100%	500
		10,000		10,000		9,625		9,250

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Cost to be accounted for

	Cost IP beg	Cost added	Unit cost
Materials	2,520	72,480	7.50
Labor	1,540	21,560	2.40
Overhead	2,800	43,450	5.00
	6,860	137,490	14.90

Page 3

Cost accounted for as following

Completed & transferred (8,000 x 14.90)			119,200
Factory Overhead (500 x 14.90)			7,450
In process, end			
Materials (1,500 x 7.50)	11,250		
Labor (1,125 x 2.40)		2,700	
Overhead (750 x 5.00)		3,750	17,700
Total costs as accounted for			144,350

Problem 9 - Norman Corporation

FIFO METHOD

Units completed & transferred

IP beg.	1,000	40%	400	65%	650	75%	750
Started & completed	7,000	100%	7,000	100%	7,000	100%	7,000
Units IP end	1,500	100%	1,500	75%	1,125	50%	750
Units lost – abnormal	500	100%	500	100%	500	100%	500

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	10,000	9,400	9,275	9,000

Cost to be accounted for		
Cost IP beg.	6,860	
Cost added		
Materials	72,480	7.710638
Labor	21,560	2.324528
Overhead	43,450	4.827778
	137,490	14,862944
Total costs to be accounted	144,350	14,862944
Costs accounted for as follows:		
Completed & transferred		
IP beg.		
Cost – last month	6,860	
Cost added		
M (400 x 7.710638)	3,084	
L (650 x 2.324528)	1,511	
O (750 x 4.827778)	3,621	
Started & comp.(7,000 x 14.862944)	104,041	119,117
Factory overhead control (500 x 14.862944)		7,432
In Process, end		
Materuaks (1,500 x 7.710638)	11,566	
Labor (1,125 x 2.324528)	2,615	
Overhead (750 x 4.827778)	3,620	17,801
		144,350

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Problem 10 -

1)	**Units IP beg**	**5,000**				
	Units received	**20,000**				
		25,000				
	Units completed	**21,000**	**100%**	**21,000**	**100%**	**21,000**
	Units IP end	**4,000**			**30%**	**1,200**
		25,000		**21,000**		**22,200**

2) Unit cost

Transferred in $\frac{17{,}750 + 104{,}000}{25{,}000} = 4.87$

Materials $\frac{0 + 23{,}100}{21{,}000} = 1.10$

Conversion $\frac{7{,}250 + 38{,}400}{22{,}200} = 2.056306$

8.026306

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3) Completed (21,000 x 8.026306) 168,552

4) IP end

Prec. Dept. cost (4,000 x 4.87) 19,480

Materials -

Conversion (1,200 x 2.056306) 2,468

21,948

Problem 11 – Nofat Company			Material A		Material B		Conversion	
1) Units IP beg.	600							
Units received	3,900							
	4,500							
Units completed	4,100	100%	4,100	100%	4,100	190%	4,100	
Units IP end	400	100%	400		____	30%	120	
	4,500		4,500		4,100		4,220	

2) Units cost

From preceding department $\frac{9,090 + 67,410}{4,500} = 17,00$

Material A $\frac{4,000 + 21,200}{4,500} = 5.60$

Material B $\frac{0 + 16,400}{4,100} = 4.00$

Conversion $\frac{1,340 + 17,650}{4,220} = 4.50$

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	31.10
3) Completed (4,100 x31.10)	127,510

4) IP end

Cost from precede dept. (400 x 17.00)	6,800	
Material A (400 x 5.60)	2,240	
Conversion (120 x 4.50)		540
		9,580

Page 10

Problem 12 – Cross Company

Units started 10,500

Units completed	7,000	100%	7,000	100%	7,000
Units IP end	3,000	100%	3,000	90%	2,700
Lost units - normal	500	100%	500	80%	400
	10,500		10,500		10,100

Unit cost:	Materials	52,500/10,500	=	5.00
	Labor	39,770/10,100	=	3.9376237
	Overhead	31,525/10,100	=	3.1212871
				12.0589108

1. Completed and transferred	7,000 x 12.0589108	=	84,412
Share in cost of lost units			3,788

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			88,200

2, In process, end

Materials	3,000 x 5	=	15,000
Labor	2,700 x 3.93762 47	=	10,632
Overhead	2,700 x 3.12129871	=	8,427
Share in cost of lost units		=	1,536
			35,595

Cost of lost				Allocation to C&T		IP end	
Materials	500 x 5.00	=	2,500	7/10	1,750	3/10	750
Labor	400 x 3.93762	=	1,575	70/97	1,137	27/97	438
Overhead	400 x 3.12129	=	1,249	70/97	901	27/97	348
Total			5,324		3,788		1,536

Problem 13 - Alonzo Manufacturing

	Materials	Conversion	Total
Cost – IP beg.	P 6,544	P 16,803	P 23,347
Current cost	281,656	344,817	626,473
Total costs	P288,200	P 361,620	P649,820
Divided by equivalent prod.	262,000	258,300	
Unit cost	P 1.10	P 1,40	P 2.50

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1. Completed & transferred (255,200 x 2.50) P 638,000

2. Total costs to be accounted for P 649,820

Less: Cost of units IP end 11,597

Costs of units completed P 638,223

Problem 14 - Nicole Mfg. Co.

1) Units IP beg. 12,000

Units received 80,000

Increase in units 4,000

96,000

Units completed	86,000	100%	86,000	100%	86,000
Units IP end	10,000	100%	10,000	2/5	4,000
	06,000		96,000		90,000

	Transf. In	Materials	Labor	Overhead	Total
Costs – IP beg.	P 11,800	P 3,125	P 1,490	P 1,320	P 17,735
Current cost	86,120	21,835	43,510	34,680	186,145
Total costs	P 97,920	P 24,960	P45,000	P 36,000	P203,880
Divided by EP	96,000	96,000	90,000	90,000	
Unit cost	P 1.02	P 0.26	P 0.50	P 0.40	P 2.18

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2) Completed & transferred (86,000 x 2.18) P 187,480

3) IP end

Cost from prec. Dept (10,000 x 1.02)	P 10,200
Materials (10,000 x 0.26)	2,600
Labor (4,000 x 0.50)	2,000
Overhead (4,00 x 0.40)	1,600
	P 16,400

Problem 15 -

1) Units received. 60,000

Units completed	50,000	100%	50,000	100%	50,000
Units IP beg.	9,000	100%	9,000	50%	4,500
Units lost – abnormal	1,000				
	60,000		59,000		54,500

Cost from prec. Dept.	212,400	3.54
Materials	84,370	1.43
Coversion	129,710	2.38
	426,480	7.35

2) Factory OH (1,000 x 3.54) P 3,540

3) Completed & transf. (50,000 x 7.35) 367,500

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4) IP end

Cost from prec. Dept (9,000 x 3.54)	**31,860**
Materials (9,000 x 1.43)	**12,870**
Conversion (4,500 x 2.38)	**10,710**
	55.440

Problem 16 – DEXTER Co.

1) Cost per unit = 122,360/19000 = 6.44

Completed & transferred

From IP beg.

Cost last month	**30,610**	
Cost added (1,000 x 1.45)		**1,450**
Received & completed (14,000 x 6.45)		**90,300**
		122.360

Unit cost

Cost from preceding dept.	**110,000/22,000**	**=**	**5.00**
M,L,O	**30,450 /21,000**	**=**	**1.45**
			6,45

Units completed (19,000)

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From IP beg.	5,000	1/5	1,000
From units received	14,000	100%	14,000
Units IP end	8,000	¾	6,000
	27,000		21,000

2) IP end

Cost from preceding	(8,000 x 5)	40,000
M, L, O	(6,000 x 1.45)	8,700
		48,700

Problem 17 – Nicole Company

Units IP beg.	1,400
Units received	14,000
	15,400

Units Completed & transf.	11,200	100%	11,200	100%	11,200
Units IP end	3,500	100%	3,500	40%	1,400
Units lost – normal	560	100%	560	100%	560
Units lost – abnormal	140	100%	140	100%	140
	15,400		15,400		13,300

1) Completed & transf. (11,200 x 9) + (560 x 9) P 105,840

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2) FOC (140 x 9) 1,260

3) IP end

Cost from prec dept. (3,500 x 5)	**17,500**
Materials (3,500 x 1)	**3,500**
Conversion (1,400 x 3)	**4,200**
	25,200

Problem 18 - Samahan Inc.

1) Units IP end (500 x 50% x 132) P 33,000

2) Finished goods, end (700 x 132) P 92,400

3)

From FG beg.	**600 uittz**	**P 76,800**
From units completed – IP beg.	**1,250 "**	**161,000**
From units received and completed	**800 "**	**105600**
Cost of goods sold	**2,650**	**P 343,400**

Or

Total available for sale

FG beg.	**600 units**	**P 76,800**
Completed from IP beg.	**1,250**	**161,000**
Completed from started	**1,500 x 132**	**198,000**

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Total goods available for sale	**435,800**
Less: FG Inventory	**92,400**
Cost of goods sold	**P 343,400**

Computation of equivalent production

Units IP beg.	**1,250**		
Units started	**2,000**		
	3,250		
Units completed (2,750)			
IP beg.	**1,250**	**20%**	**250**
Started & completed	**1,500**	**100%**	**1,500**
Units IP end	**500**	**50%**	**250**
	3,250		**2,000**

Unit cost (264000/2000 = 132.00

Completed & transferred

IP beg.		
Cost last month	**P 128,000**	
Cost added (250 x 132)		**33.000**
Cost of IP beg. upon completion		**P 161,000**
Units started & completed (1,500 x 132)		**P 198,000**

Problem 19 - Michelle Company

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	Department 1			Department 2		
	Actual	Materials	Conversion	Actual	Materials	Conversion
Started or received	60,000			45,000		
Comp. & transf.	45,000	45,000	45,000	40,000	40,000	40,000
IP end	15,000	15,000	9,000	5,000	5,000	4,000
	60,000	60,000	54,000	45,000	45,000	44,000

Costs charged to the dept.				
Cost from preceding dept.			171,000	3.80
Cost added in the dept.				
Materials	90,000	1,50	112,500	2.50
Labor	64,800	1.20	61,600	1.40
Overhead	59400	1.10	50,600	1.15
Total added	214,200	3.80	224,700	5.05
Total costs	214,200	3.80	395,700	8.85

Costs accounted for as follows			
Comp. & transf. (45,000 x 3.80)	171,000	(40,000 x 8.85)	354,000
IP beg			
Cost from prec dept		(5,000 x 3.80)	19,000
Mat. (15,000 x 1.50)	22,500	(5,000 x 2.50)	12,500
Labor (9,000 x 1.20)	10,800	(4,000 x 1.40)	5,600

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OH	(9,000 x 1.10)	9,900	43,200	(4,000 x 1.15)	4,600	41,700
Total costs as accounted for			214,200			395,700

Journal entries

1.	Materials	180,000	
	Accounts payable		180,000
2.	Work in process – Dept. 1	90,000	
	Work in process – Dept. 2	112,500	
	Materials		202,500
3.	Payroll	125,600	
	Accrued payroll		125,600
4.	Work in process – Dept. 1	64,800	
	Work in process – Dept. 2	61,600	
	Factory OH	9,200	
	Payroll		135,600
5.	Work in process – Dept. 1	59,400	
	Work in process – Dept. 2	50,600	
	Factory OH Applied		110,000
6.	Work in process – Dept. 2	171,000	
	Work in process – Dept. 1		171,000

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7.	**Finished goods**	**354,000**		
	Work in process – Dept. 2		**354,000**	
8.	**Accounts receivable**	**400,000**		
	Sales		**400000**	
	Cost of goods sold	**252,000**		
	Finished goods		**252,000**	

75,000 + (20,000 x 8.85)

Michelle Company

Cost of Goods sold Statement

For the month of June, 2008

Direct materials used			
Materials, June 1	**P 50,000**		
Purchases	**180,000**		
Total available for use	**230,000**		
Less: Materials, June 30	**27,500**	**P**	**202,500**
Direct labor			**126,400**
Factory overhead			**110,000**
Total manufacturing costs			**438,900**
Less: Work in process, June 30			**84,900**

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Cost of goods manufactured	**354,000**
Finished goods, June 1	**75,000**
Total goods available for sale	**429,000**
Less: Finished goods, June 30	**177,000**
Cost of goods sold	**P 2,52,000**

Multiple choice (problems)

1. A	**11. B**	**21. A**	**31, C**
2. A	**12. C**	**22. D**	**32. D**
3. D	**13 A**	**23. C**	**33. B**
4. C	**14. C**	**24. D**	**34. C**
5. A	**15. C**	**25. B**	**35. B**
6. A	**16 A**	**26 A**	**36. A**
7. A	**17. A**	**27. B**	**37. D**
8. C	**18. A**	**28. B**	
9. D	**19. A**	**29 C**	
10. C	**20. A**	**30. B**	

CHAPTER 11 –JOINT PRODUCTS/BY-PRODUCTS

TRUE/FALSE

1. T	**6. T**	**11. T**
2. F	**7. T**	**12, F**
3. F	**8. F**	**13. T**

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4. T	**9. T**	**14. T**
5. T	**10.T**	**15. F**

Problem 1 – Owen Company

1. **Market Value method**

Product	Units Produced	MVat SO	Total MV	Percentage	Share in JC
A	20,000	4.00	80,000	70%	56,000
B	32,000	1.75	56,000		39,200
C	36,000	3.00	108,000		75,600
D	24,000	2.75	66,000		46,200
			310,000		217,000

2. **Average Unit Cost Method**

Product	Units Produced	Average Unit Cost	Share in JC
A	20,000	1.9375	38,750
B	32,000		62,000
C	36,000		69,750
D	24,000		46,500
			217,000

3.Weighted average method

Product	Units Produced	WF	Total WF	Cost/WF	Share in JC	
A	20,000	3.0	60,000	.3875	23,250	
B	32,000	5.5	176,000			68,200
C	36,000	5.0	180,000			69,750
D	24,000	6.0	144,000		55,800	
					217,000	

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Problem 2 - Meadows Company

a. **Sales value at split-off method**

Product	SV at SO	Percentage	Share in JC
A	88,000	60%	52,800
B	77,000		46,200
C	55,000		33,000
			132,000

b. **Physical units method**

Product	Units Produced	Average UC	Share in JC
A	13,200	5.00	66,000
B	8,800		44,000
C	4,400		22,000
			132,000

Page 2

Problem 3 – Anchor Company

1. **Market value method**

Product	SV at SO	Percentage	Share in JC	Add'l Cost	Total Cost
A	420,000	60%	252,000	88,000	340,000
B	270,000		162,000	30,000	192,000
C	60,000		36,000	12,000	48,000
			450,000	130,000	580,000

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2. Average unit cost method

Product	Units Produced	Ave UC	Share in JC	Add'l Cost	Total Cost	
A	50,000	4.50	225,000		88,000	313.000
B	40,000		180,000		30,000	210,000
C	10,000		45,000	12,000		57,000
			450,000	130,000		580,000

Problem 4 – Laguna Chemical Company

1)

a) - Revenue from by-product shown as additional sales

Sales		
Main product	180,000	
By-product	1,000	181,000
Less: Cost of goods sold		
Materials	30,000	
Labor	17,400	
Overhead	17,400	
Cost of goods manufactured	64,800	
Less: Inventory, end	6,480	58,320
Gross profit		122,680
Less: Selling and administrative expenses		54,000
Net Income		68,680

b) Revenue from by-product shown as deduction from cost of goods sold of MP

Sales

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Main product		180,000
Less: Cost of goods sold		
Materials	30,000	
Labor	17,400	
Overhead	17,400	
Cost of goods manufactured	64,800	
Less: Inventory, end	6,480	
Cost of goods sold	58,320	
Less: Revenue from by-product	1,000	57,320
Gross profit		122,680
Less: Selling and administrative expenses		54,000
Net Income		68,680

c) Revenue from by-product shown as other income

Sales		
Main product		180,000
Less: Cost of goods sold		

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Materials	30,000	
Labor	17,400	
Overhead	17,400	
Cost of goods manufactured	64,800	
Less: Inventory, end	6,480	
Cost of goods sold		58,320
Gross profit		121,680
Less: Selling and administrative expenses		54,000
Net operating income		67,680
Other income – Revenue from by-product		1,000
Net Income		68,680

2. Revenue from by-product shown as deduction from production cost of main product

Sales		
Main product		180,000
Less: Cost of goods sold		
Materials	30,000	
Labor	17,400	
Overhead	17,400	
Total mfg. cost/cofg manufactured	64,800	
Less: Rev. from by-product	1,000	
Net manufacturing cost	63,800	
Less: Inventory, end	6,380	
Cost of goods sold		57,420

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Gross profit	122,580
Less: Selling and administrative expenses	54,000
Net income	68,580

Problem 5 – Fisher Company

1,

	By-product A	By-product B
Sales value	P 6,000	P 3,500
Mfg. cost after separation	(1,100)	(900)
Marketing & adm. Exp.	(750)	(500)
Desired profit	(900)	(420)
Share in the joint cost	3,250	1,680

Total manufacturing cost before separation or joint cost	37,500
Share of by-product A	(3,250)
Share of by-product B	(1,680)
Share of main product in the mfg. cost before separation	32,570

2.

	Main Product		By-product A		Byproduct B	
Sales	75,000		6,000		3,500	
Less: Cost of goods sold						
Share in joint cost	32,570		3,250		1,680	
Cost after separation	11,500	44,070	1,100	4,350	900	2,580
Gross profit	30,930		1,650		920	

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Less: Marketing & Adm. Exp.	6,000	750	500
Net Income	24,930	900	420

Problem 6 - Eternity Company

1. Sales value – Z 12,000

   Further processing cost (4.000)

   Marketing & adm. Exp. (2,000)

   Desired profit (2,000)

   Share of Z in the joint cost 4,000

Hypothetical MV

2. Product	Units	Per Unit	Total HMV	Percentage	Share in JC
X	8,000	20-5	120,000	40%	80,000
Y	10,000	25-7	180,000	60%	120,000
			300,000		200,000

Problem 7 – North Avenue Products Company

1.	East		West		Total	
Sales		17,500		8,500		26,000
Less: Cost of goods sold						
Share in Joint cost	6,480		3,600		10,080	
Cost after split-off	3,000		-		3,000	
Total mfg. cost	9,480		3,600		13,080	
Less: Inventory end	1,580	7,900	540	3,060	2,120	10,960

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Gross profit	9,600	5,440	15.040
Less: Selling & Adm. Exp.	3,500	1,700	5,200
Net income	6,1 00	3,740	9,840

2. Schedule allocating the joint cost to "East" and "West"

Hypothetical MV

Products	Units Produced	Per Unit	Total	Percentage	Share in JC
East	3,000	7.00 – 1,00	18,000	36%	6,480
West	2,000	5.00	10,000		3,600
			28,000		10,080

Total joint cost		10,260.00
Less: Net revenue of by-product		
Sales value	200	
Less: Selling & adm. Exp	(20)	180.00
Net joint cost to be allocated		10,080.00

Problem 8

Products	Sales value at SO	Percentage	Share in JC
X	137,500	55.00%	99,000
Y	62,500	25.00%	45,000
Z	50,000	20.00%	36,000
	250,000	100.00%	180,000

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99,000/180,000= 55% X 250,000 = 137,500

50,000/250,000= 20% X 180,000 = 36,000

100% - 55% - 20% = 25%

IF SV AT SO IS GIVEN WE NEED NOT COMPUTE FOR NRV

Problem 9 - CHERRY BLOSSOMS COMPANY

.

Products	Units Produced	MV zt SO	Total MV	Fractions	Share in JC
A	80,000	20	1,600,000	160/595	774,454
B	70,000	30	2,100,000	210/595	1,016,470
C	90,000	25	2,250,000	225/595	1,089,076
			5,950,000		2,880,000

Problem 10 Comely Products

1.	Share in materials cost		60,000
	Share in conversion cost		88,000
	Further processing cost		30,000
	Total cost		178,000
	Divide by kilos produced		25,000
	Unit cost of Product R		7.12
2.	Sales		180,000
	Less: Total cost		
	Share in material cost	36,000	
	Share in conversion cost	64,000	
	Further processing cost	20,000	120,000
	Gross margin		60,000
3.	Sales		150,000
	Less: Total cost		
	Share in material cost	24,000	
	Share in conversion cost	48,000	
	Further procession cost	30,000	102,000

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Gross margin		**48,000**
Less: Administrative expenses (20% x 150,000)	**30,000**	
Net Income		**18,000**

Allocation of material cost (logical method – average unit cost)

Product	Kilos Produced	Mat. Cost/kilo		Share – Mat. Cost
R	**(5)**	**25,000**	**2.40**	**60,000**
S	**(3)**	**15,000**		**36,000**
T	**(2)**	**10,000**		**24,000**
		50,000		**120,000**

Material cost/kilo produced -

= 120,000/50,000 = 2.40

Allocation of conversion cost - net realizable value method

Product	Kilos Produced	SP/unit	MV at. Final Pt.	FPC	NRV	Percentage	Share in CC
R	**25,000**	**10.00**	**250,000**	**30,000**	**220,000**		**88,000**
S	**15,000**	**12.00**	**180,000**	**20,000**	**160,000**	**40%**	**64,000**
T	**10,000**	**15.00**	**150,000**	**30,000**	**120,000**		**48,000**
	50,000		**580,000**		**500,000**		**200,000**

Problem 11 – Blackberry Company

a) Net by-product income treated as other income

Sales (main product) 20,000 x 10		**200,000**
Less: Cost of goods sold		
Total manufacturing cost	**150,000**	
Less: Inventory (150,000 x 5,000)	**30,000**	**120,000**

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	25,000		
Gross profit			80,000
Less: Marketing and administrative expenses			60,000
Net income from operations			20,000
Other income: By-product income (2,700 – 1,100)			1,600
Net income			21,600

b) Net by-product income deducted from costs of goods sold of the main product

Sales			200,000
Less: Cost of goods sold – main product		120,000	
Less: By-product income	1,600	118,400	
Gross profit			81,600
Less: Marketing and administrative expenses			60,000
Net income			21,600

c) Value of by-product produced, using net realizable value method, treated as a deduction from the total manufacturing costg.

Sales			200,000
Less: Cost of goods sold			
Total manufacturing cost	150,000		
Less: Value of by-product produced			
Total sales value (1,200 x 3)	3,600		
Less: (AC and expenses)	1,100	2,500	
Net manufacturing cost		147,500	
Less: inventory (147,500 x 5,000)		29,500	118,000
	25,000		
Gross profit			82,000

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Less: Marketing and administrative expenses	60,000
Net income	22,000

d) Value of by-product produced, using the reversal cost method, treated as a deduction from the total manufacturing cost

	MAIN		BY-PRODUCT		TOTAL	
Sales		200,000		2,700		202,700
Less: Cost of goods sold						
Share in total mfg. cost	148,580		1,420		150,000	
Additional cost	-		800		800	
Total	148,520		2,220		150,800	
Less: Inventory	29,794	118,726	555	1,665	30,349	120,391
Gross profit		81,274		1,035		82,309
Less: Marketing & adm. exp.		60,000		300		60,300
Net income		21,274		735		22,009

Total manufacturing cost	150,000
Less: Share of by-product (reversal cost)	
Total sales value (1,200 x 3)	3,600
Additional cost	(800)

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Mktg. & adm. exp.	(300)	
Desired profit (30%_	(1,080)	1,420
Share of main product		148,580

Problem 12 Miller Company (joint cost - P 300,000)

Product	Units Produced	Net Realizable Va		Share in
		Per unit	Total	Percentage	Joint Cost
K	8,000	(40-5-5.75)	234,000		140,400
L	6,000	(34-4-4)	156,000	(300/500)	93,600
M	4,000	(32-2-2.50)	110,000	60%	66.000
			500,000		300,000

Problem 13 –

(1) Prod.	(2) Qty Produced	(3) Selling Price	(4) MV at Fins;; z[y	(5) CASO	(6) NRV	(7) Percentage	(8) Sh. In JC	(9) Total Cost	(10) Cost per Unit
M	1,500	10	15,000	3.000	12,000	(35/50)	8,400	11,400	7.60
N	2,500	12	30,000	2,000	28,000	70%	19,600	21,600	8.64
O	1,000	15	15,000	5,000	10,000		7,000	12,000	12.00
					50,000				
			(2x3)		(4-5)		(6x70	(5+8)	(9/2)

1. COST OF GOODS SOLD (M) (1,200 X 7.60) = 9,120
2. GROSS PROFIT (N) 2,000 (12 – 8.64) = 6.720
3. COST – INVENTORY END (O) (200 X 12) = 2,400

Problem 14 –

Ferguson Company (Selling Price should be P 125 for butter and P90 for powder,

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Shells – P4.00 and additional processing cost of butter is P 15)

Net Realizable Value

1)

Prod	Pounds Produced	Per unit	Total	Percentage	Share in JC
Butter	20	(125 – 15)	2,200	(5,200/6,250)	1,830.40
Powder	45	90	4,050	83.20%	3,369.60
			6,250		5,200.00

2)

Prod.	Pounds Produced	Average UC	Share in Jc
Butter	20	5,200/65	1,600
		80	
Powder	45		3,600
	65		5,200

3)

Prod.	NRV	Percentage	Share in JC
Butter	2,200	5,060/6250)	1,781
Powder	4,050	80.96%	3,279
	6,250	(5,200 – 140)	5,060

Multiple choice – Theory

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

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Multiple choice – Problems

1.	B.	11.	A	21.	D
2.	D	12.	B	22.	A
3.	C	13.	C	23.	C
4.	D	14.	B	24.	C
5.	B	15.	C	25.	C
6.	B	16.	D	26.	D
7.	C	17.	D	27.	A
8.	A	18.	D	28.	A
9.	C.	19.	A	29.	D
10.	B.	20.	B	30.	A
				31.	B
				32.	B

CHAPTER 12 - STANDARD COSTING

Problem 1 – Michelle Corporation

1. Actual price	P 2.52		2/. Actual qty. used	4.450	
Std. price	(2.50)		Std. qty.	(4,050)	
Difference	0.02		Difference	400	
X Act. Qty.	4,450		x Std. price	x 2.50	
MPV	89.00 U		MQV	1.000 U	

3 Actual rate	P 3.00		4. Actual hours	3,150	
Std. rate	(3.10)		Std. hours	(3,000)	
Difference	(0.10)		Difference	150	

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X Actual Hrs.	3,150	x Std. rate	3.10
Labor rate var.	(315) F	LEV	465 U

Problem 2 – Longview Hospital

1. Actual price (9,540/3,600)	2.65	2. Actual qty. used	3,200
Std. price	(2.75)	Std. qty (1,500 x2)	(3,000)
Difference	(0.10)	Difference	200
X Actual quantity	3,600	x Std. price	2.75
MPV	(360) F	MQV	550U

2. Actual rate (5100/340)	15.00	4. Actual hrs.	340
Std. rate	15.00	Std. hrs. (1,500 x .2)	(300)
Difference	0	Difference	40
		X Std. rate	15.00
		LEV	600 U

5. Actual hrs.	340	
Std. hrs.	(300)	
Difference	40	
X Variable rate	7.00	
Variable efficiency	280 U	

Problem 3 - Golden Shower Company

5,000 DLHrs.

	Total	Per DLHr	Std. hrs./unit = 5,000 DLHrs..
Fixed	5,000	1.00	4,000 units

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Variable	7,500	1.50	
Total	12,500	2.50	= 1.25 Hrs./unit

Materials

1. Actual price	P 1.02	2. Actual qty.	7,200
Std. price	(1,00)	Std.(3,500 x 2)	7,000
Difference	.02	Difference	200
X actual qty.	7,200	x Std. price	1.00
MPV	144 U	MQV	200 U

Labor

1. Actual rate (33,750/4,500)	7,50	2/ Actual hrs.	4,500
Std. rate	(8.00)	Std. hrs. (3,500 x 1.25)	4,375
Difference	(0.50)	Difference	125
X actual hrs.	4,500	x Std. rate	8.00
LRV	(2,250) F	LEV	1.000U

Factory overhead

1. Actual overhead		11.250.00
Less: Budget allowed on std. hrs.		
Fixed	5,000	
Variable (4,375 x 1.50)	6,562.50	11,562.50
Controllable variance		(312.50) F

2. Budget allowed on std hrs.		11,562.50
Less: OH applied to production		
(4,3,75 x 2.50)	10,937.50	

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Volume variance	**625.00**

Problem 4 – Fenton Company

155,000 DLHrs.

	Total	Per DLHr		
Fixed	**620,000**	**4.00**	**(4 x 155,000)**	**Std. hrs./unit = 10.00/4**
Variable	**465,000**	**3.00**	**(465,000/155,000)**	**= 2.5 Hrs.**
Total	**1,085,000**	**7.00**		

1. Actual variable overhead		**475,000**
Less: AH x Variable rate (148,000 x 3)	**444,000**	
Variable spending variance	**31,000 U**	
AH x Variable rate		**444,000**
Less: Std. hrs. x V rate (60,000 x 2.5 x 3)	**450,000**	
Variable efficiency variance		**(6,000) F**
2. Actual fixed overhead		**632,500**
Less: Fixed overhead at normal capacity	**620,000**	
Fixed spending variance		**12,500 U**
Fixed overhead at normal capacity		**620,000**
Less: Std. hrs. x fixed rate (150,000 x 4)	**600,000**	
Fixed volume variance	**20,000 U**	

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3. Actual factory overhead (475,000 + 632,500) 1,107,500

Less: Budget allowed on std. hrs.

Fixed	**620,000**	
Variable (150,000 x 3)	**450,000**	**1,070,000**
Controllable variance		**37,500 U**
Budget allowed on std. hrs		**1,070,000**
Less: Std. hrs. x OH rate (150,000 x 7)		**1,050,000**
Volume variance		**20,000 U**

4. Actual factory overhead 1,107,500

Less: Budget allowed on actual hrs.

Fixed	**620,000**	
Variable (148,000 x 3)	**444,000**	**1,064,000**
Spending variance		**43,500 U**
Budget allowed on actual hrs.		**1,064,000**
Less: Budget allowed on std. hrs.		**1,070,000**
Efficiency variance		**(6,000) F**
Budget allowed on std. hrs.		**1,070,000**
Less: Std. hrs. x FO rate (150,000 x 7)		**1,050,000**
Volume variance		**20,000 U**

5. Spending variance 43,500 U

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Variable efficiency variance	**(6,000)**	**F**
Actual hours	**148,000**	
Less: Standard hours	**150,000**	
Difference	**(2,000)**	
X Fixed overhead rate	**4.00**	
Fixed efficiency variance	**(8,000)**	**F**

Budget allowed on actual hours	**1,064,000**	
Less: Actual hrs. x factory OH rate		
148,000 x 7	**1,036,000**	
Idle capacity variance	**28,000**	**U**

Problem 5 - GDL Company

Additional information - . Materials added 100% at the beginning

Units completed 40,000

From in process, beg.	**10,000**	**-**	**20%**	**2,000**		
From started	**30,000**	**100%**	**30,000**	**100%**	**30,000**	
Units in process, end	**20,000**	**100%**	**20,000**	**40%**	**8,000**	
Total	**60,000**	**50,000**		**40,000**		

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Materials

Actual price	1.20	Actual qty. used	1,000,000
Less: Std. price	1.00	Less: Std. qty.	1,000,000
Difference	0.20	Difference	0
X Actual mat. Purchased	2,000,000	x Std. price	1.00
Mat. Price variance	400,000 U	Mat. Usage variance	0

Labor

Actual rate	14.00	Actual hours	60,000
Less: Std. rate	15.00	Less: Std. hours	40,000
Difference	(1.00)	Difference	20,000
X Actual hrs.	60,000	x Std. rate	15.00
Labor rate varianc	(60,000)F	Labor efficiency	300,000

Factory overhead

Actual factory overhead (280,000 + 83,000)		363,000
Less: Budget allowed on std. hrs.		
Fixed	80,000	
Variable (40,000 x 5)	200,000	280,000
Controllable variance		83,000U

Budget allowed on std. hrs.	280,000
Less: Overhead applied (40,000 x 7)	280,000
Volume variance	-

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Problem 6 – Mentor Company

Materials

Actual price	1.05	Actual qty. used	60,500
Less: Std. price	1.00	Less: Std. qty. (5,000 x 12)	60,000
Difference	0.05	Difference	500
X Actual qty. (63,525/1.05)	60,500	x Std. price	1.00
Mat. Price variance	3,025 U	Mat. Qty. variance	500U

Labor

Actual rate	9.15	Actual hours	10,500
Less: Std. price	9.00	Less: Std. hrs. (5,000 x 2)	10,000
Difference	0.15	Difference	500
X Actual hrs.(96,075/9.15)	10.500	x Std. rate	9.00
Labor rate variance	1,575U	Labor efficiency	4,500U

144,000 DLHrs.

	Total	Per Hour
Fixed	288,000	2.00
Variable	360,000	2.50
Total	648,000	4.50

Factory overhead

Actual factory overhead (27,000 + 24,500)	51,500
Less: Budget allowed on std. hrs.	

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	Fixed (288,000/12)	**24,000**	
	Variable (10,000 x 2.50)	**25,000**	**49,000**
	Controllable variance		**2,500**
	Budget allowed on std. hours	**49,000**	
	Less: Std. hrs. x std. rate (10,000 x 4.50)	**45,000**	
	Volume variance		**4,000**
1.	**Materials (60,500 x 1.00)**	**60,500**	
	Material price variance	**3,025**	
	Accounts payable		**63,525**
2.	**Work in process (5,000 x 12 x 1)**	**60,000**	
	Material quantity variance	**500**	
	Materials		**60,500**
3.	**Payroll**	**96,075**	
	Accrued payroll		**96,075**
4.	**Work in process (5,000 x 2 x 9.00)**	**90,000**	
	Labor rate variance	**1,575**	
	Labor efficiency variance	**4,500**	
	Payroll		**96,075**
5.	**Factory Overhead Control**	**51,500**	

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	Misc, Accounts	51,500	
6.	Work in process	45,000	
	Factory overhead applied		45,000
7.	Factory overhead applied	45,000	
	Factory overhead - Controllable variance	2,500	
	Factory overhead - Volume variance	4,000	
	Factory overhead control		51,500
8.	Finished goods (5,000 x 39)	195,000	
	Work in process		195,000
9.	Accounts receivable (4,500 x 100)	450,000	
	Sales		450,000
10.	Cost of Goods sold (4,500 x 39)	175,500	
	Finished goods	175,500	
11.	Cost of goods sold	16,100	
	Material price variance	3,025	
	Material quantity variance		500
	Labor rate variance	1,575	
	Labor efficiency variance		4,500
	Factory overhead – controllable variance		2,500

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	Factory overhead – volume variance	**4,000**	

Problem 7 - Risk Company

1.	**Actual hours**		**101,000**
	Less: Std. hrs.	**101,300 (1)**	
	Difference		**(300)**
	X Variable rate	**3**	
	Variable efficiency		**(900)**
2.	**Actual variable overhead**		**303,750**
	Less: Variable spending variance		**750**
	Actual hrs. x variable rate		**303,000**
	Divide by variable rate	**3.00**	
	Actual hrs.		**101,000(2)**
3.	**Fixed overhead at normal capacity**	**295,000**	
	Les: Overhead applied to production	**398,835 (3)**	
	Fixed volume variance	**(3,835)**	
	Actual fixed overhead	**299,950**	
	Less: Fixed spending	**4,950**	
	Fixed overhead at normal capacity		**295,000**

Problem 8 – Liberty Co.

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Actual hours	**11,120**	
Less: Standard hours	**10,000**	
Difference	**1,120**	
X Standard rate		**3.75**
Labor efficiency variance	**4.200**	

Problem 9

Materials

Actual price (154,000/2,200)	**70**		**Actual qty. used**		**2.200**
Less: Std. price	**62.50**		**Less: Std. qty.(400 x 6)**	**2,400**	
Difference	**7.50**		**Difference**		**(200)**
X Actual mat. Purchased	**2,200**		**x Std. price**	**62.50**	
Mat. Price variance	**17,025 U**		**Mat. Usage variance**	**(12,500)F**	

Labor

Actual rate	**(237,500/5,000**	**47.50**	**Actual hours**	**5,000**

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Less: Std. rate	45.00	Less: Std.hrs.(400x12)	4,800
Difference	2.50	Difference	200
X Actual hrs.	5,000	x Std. rate	45.00
Labor rate varianc	12,500 U	Labor efficiency	9,000 U

Problem 10

1. Std. qty. of materials (4,000 x 6) 24,000

2. Actual price (273,000/6,000) 10.50

3. Std. direct labor hrs. allowed (4,000 x 1hr/unit) 4,000 DLHRS.

4. Actual rate 42.00
   Less: Standard rate 40.00
   Difference 2.00
   X Actual hours 3,800
   Labor rate 7,600

5. Actual hrs 3,800
   Less: Std. hrs. (4,000 x 1) 4.000
   Difference (8,000)/40 (200)
   Std. rate 40.00
   Labor efficiency variance (8,000) F

6. Actual factory overhead (120,000 + 5,000) 125,000
   Less: Std. hrs. x std. rate (4.000 x 30) 120,000
   Factory overhead variance 5,000

Problem 11

1. Actual labor hours 14,000
   Less: Std. hours 15,000

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Difference		**(1,000)**
X Std. rate		**3.00**
Labor efficiency variance	**(3,000) F**	
Actual rate (43,400/14,000)		**3.10**
Less: Std. rate	**3.00**	
Difference (1,400/14,000)		**0.10**
X Actual hrs		**14,000**
Labor rate variance		**1,400**

Multiple choice

1. **C**
2. **A**
3. **C**
4. **C**
5. **B**
6. **D**
7. **D**
8. **C**
9. **B**
10. **12,000 Unf**
11. **B**
12. **B**
13. **D**
14. **C**
15. **C**
16. **C**
17. **D**
18. **C**
19. **D**
20. **D**
21. **B**
22. **A**
23. **D**
24. **D**
25. **B**
26. **D**
27. **400 CREDIT**

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28. **D**
29. **1,000 fav.**
30. **B**
31. **C**
32. **D**
33. **D**
34. **Not enough information**
35. **NOT ENOUGH INFORMATION**

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