

**ACC 601 Managerial Accounting
Group Case 1 (100 points)**

Instructions:

- 1. As a group, complete the following activities in good form. Use excel or word only. Provide all supporting calculations to show how you arrived at your numbers**
- 2. Add only the names of group members who participated in the completion of this assignment.**
- 3. Submit only one copy of your completed work via Moodle. Do not send it to me by email.**
- 4. Due: No later than the last day of Module 2. Please note that your professor has the right to change the due date of this assignment.**

Part A: Schedules of Cost of Goods Manufactured and Cost of Goods Sold; Income Statement

Nish Corporation has provided the following data for the month of April:

Sales.....	\$220,000
Raw materials purchases	\$50,000
Direct labor cost	\$23,000
Manufacturing overhead cost	\$59,000
Selling expense.....	\$18,000
Administrative expense	\$43,000

<i>Inventories:</i>	<i>Beginning</i>	<i>Ending</i>
Raw materials	\$26,000	\$35,000
Work in process.....	\$18,000	\$22,000
Finished goods.....	\$42,000	\$29,000

Required:

- a. Prepare a Schedule of Cost of Goods Manufactured in good form for April.
- b. Prepare an Income Statement in good form for April.

Part B: Application of Job Order Costing

Scanlon Company has a job-order costing system and applies manufacturing overhead cost to products on the basis of machine-hours. The following estimates were used in preparing the predetermined overhead rate for the most recent year:

Machine-hours.....	95,000
Manufacturing overhead cost	\$1,710,000

During the most recent year, a severe recession in the company's industry caused a buildup of inventory in the company's warehouses. The company's cost records revealed the following actual cost and operating data for the year:

Machine-hours.....	75,000
Manufacturing overhead cost	\$1,687,500
Amount of applied overhead in inventories at year-end:	
Work in process.....	\$337,500
Finished goods.....	\$253,125
Amount of applied overhead in cost of goods sold.....	\$759,375

Required:

- Compute the company's predetermined overhead rate for the year and the amount of underapplied or overapplied overhead for the year.
- Determine the difference between net operating income for the year if the underapplied or overapplied overhead is allocated to the appropriate accounts rather than closed directly to Cost of Goods Sold.

Part C: Process Costing using Weighted Average

Timberline Associates uses the weighted-average method in its process costing system. The following data are for the first processing department for a recent month:

Work in process, beginning:	
Units in process	2,400
Percent complete with respect to materials	75%
Percent complete with respect to conversion	50%
Costs in the beginning inventory:	
Materials cost	\$8,400
Conversion cost	\$7,200
Units started into production during the month.....	20,800
Units completed and transferred out	22,200
Costs added to production during the month:	
Materials cost	\$97,400
Conversion cost	\$129,600
Work in process, ending:	
Units in process	1,000
Percent complete with respect to materials	80%
Percent complete with respect to conversion	60%

Required:

- Determine the equivalent units of production.
- Determine the costs per equivalent unit.
- Determine the cost of ending work in process inventory.
- Determine the cost of the units transferred to the next department.

Part D: Process Costing using First-in-First Out (FIFO)

Crone Corporation uses the FIFO method in its processing costing system. The following data concern the company's Assembly Department for the month of October.

Cost in beginning work in process inventory	\$1,920		
Units started and completed this month	3,130		
		Materials	Conversion
Cost per equivalent unit.....	\$9.50		\$20.40
Equivalent units required to complete the units in beginning work in process inventory.....	360		140
Equivalent units in ending work in process inventory	330		264

Required:

Determine the cost of ending work in process inventory and the cost of units transferred out of the department during October using the FIFO method.

Part E: Activity-Based Costing

Welk Manufacturing Corporation has a traditional costing system in which it applies manufacturing overhead to its products using a predetermined overhead rate based on direct labor-hours (DLHs). The company has two products, H16Z and P25P, about which it has provided the following data:

	H16Z	P25P
Direct materials per unit	\$10.20	\$50.50
Direct labor per unit	\$8.40	\$25.20
Direct labor-hours per unit	0.40	1.20
Annual production	30,000	10,000

The company's estimated total manufacturing overhead for the year is \$1,464,480 and the company's estimated total direct labor-hours for the year is 24,000.

The company is considering using a variation of activity-based costing to determine its unit product costs for external reports. Data for this proposed activity-based costing system appear below:

Activities and Activity Measures	Estimated Overhead Cost
Supporting direct labor (DLHs)	\$ 552,000
Setting up machines (setups)	132,480
Parts administration (part types)	<u>780,000</u>
Total	\$1,464,480

	H16Z	P25P	Total
Supporting direct labor	12,000	12,000	24,000
Setting up machines	864	240	1,104
Parts administration	600	960	1,560

Required:

- Determine the manufacturing overhead cost per unit of each of the company's two products under the traditional costing system.
- Determine the manufacturing overhead cost per unit of each of the company's two products under activity-based costing system.