

# Solutions managerial accounting assignment

Business



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BUSTER**

The company will want to distinguish between the costs of the metals used to make the medallions, but the medals are thinness identical and go through the same production processes. Thus, operation costing is ideally suited for the company's needs. Cost accumulation is simpler under process costing because costs only need to be assigned to departments-?? not separate jobs A company usually has a small number of processing departments, overhears a job- order costing system Often must keep track Of the costs Of hundreds or even thousands of jobs.

In a process costing system, a Work in Process account is maintained for each separate processing department. The journal entry would be: Work in Process, Firing XX Work in Process, Mixing . The costs that might be added in the Firing Department include: (1) costs transferred in from the Mixing Department; (2) materials costs added in the Firing Department; (3) labor costs added in the Firing Department; and (4) overhead costs added in the Firing Department.

Under the weighted-average method, equivalent units of production consist of units transferred to the next department (or to fin- each unit transferred out of the department is mounted as one equivalent unit-?? regardless of in what period the work was done to complete the units. Under the FIFO method, only the work done in the current period is counted Units transferred out are divided into two parts. One part consists Of the units in the beginning inventory. Only the work needed to complete these units is shown as part of the equivalent units for the current period.

The Other part Of the units transferred out consists of the units started and completed during the current period. 4-10 The weighted-average method mixes costs from the current period with costs from he prior period. Thus, under the headquartering method, the department's apparent performance in the current period is influenced to some extent by what happened in a prior period. In contrast, the FIFO method cleanly separates the costs and work of the current period from those of the prior period.

This makes the FIFO method superior to the weighted-average method for cost control because current performance should be measured in relation to costs tooth current period only. 4-11 Operating departments are the units in an organization within which the central purposes of the organization are carried UT; these C The McGraw-Hill Companies, Inc. , 2008. All rights reserved. Solutions Manual, departments usually generate revenue. By contrast, service departments provide support or assistance to the operating departments.