

B-20.03

Zeus Corporation produces cultured diamonds via a secretive process that grows the diamonds in a vacuum chamber filled with a carbon gas cloud. The diamonds are produced in a single continuous process and Zeus uses the weighted-average process costing method of accounting for production.

The production process requires constant utilization of facilities and equipment, as well as direct labor by skilled technicians. As a result, direct labor and factory overhead are both deemed to be introduced uniformly throughout production.

Zeus Corporation prepared the following "unit reconciliation" for the month of July:

UNIT RECONCILIATION:

	QUANTITY SCHEDULE			
Beginning Work in Process	5,000			
Started into Production	<u>6,000</u>			
<i>Total Units into Production</i>	<u>11,000</u>			
To Finished Goods	8,000			
Ending Work in Process	<u>3,000</u>			
<i>Total Units Reconciled</i>	<u>11,000</u>			

EQUIVALENT UNITS CALCULATIONS:			
	CONVERSION		
DIRECT MATERIALS	DIRECT LABOR	FACTORY OVERHEAD	
8,000	8,000	8,000	8,000
<u>1,800</u>	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>
9,800	9,500	9,500	9,500

Ending WIP Completion Status:

- Materials = 60%
- Conversion = 50%

The above beginning work in process inventory had an assigned cost of \$3,000,000, divided between direct materials (30%), direct labor (20%), and factory overhead (50%).

Additional costs incurred during July were \$9,500,000, divided between direct materials (15%), direct labor (25%), and factory overhead (60%).

Prepare a schedule showing the calculation of cost per equivalent unit.