B-20.031

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 FIFO 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	6,000
Total Units into Production	11,000

EQUIVALENT UNITS CALCULATIONS:

			CONVERSION	
		DIRECT MATERIALS	DIRECT LABOR	FACTORY OVERHEAD
To Finished Goods				
From beginning WIP	5,000	1,500	3,000	3,000
Started and completed	3,000	3,000	3,000	3,000
Ending Work in Process	3,000	1,800	1,500	1,500
Total Units Reconciled	11,000	6,300	7,500	7,500

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 for July's production activity.