

B-20.041

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.

Below is the company's calculation of cost per equivalent unit for October. During October, the company completed and transferred 8,000 diamonds to finished goods. An additional 4,000 units were still in process at the end of the month. The beginning work in process consisted of 3,000 units that were 50% complete with respect to direct materials and 40% complete with respect to both elements of conversion cost. The ending work in process was 30% complete with respect to direct materials and 20% complete with respect to both elements of conversion cost.

Prepare a schedule showing the allocation of total cost between finished goods and ending work in process.

COST PER EQUIVALENT UNIT:

	TOTAL COST	CONVERSION		
		DIRECT MATERIALS	DIRECT LABOR	FACTORY OVERHEAD
Beginning Work in Process	\$ 3,900,000			
Cost incurred during period	<u>9,300,000</u>	\$ 1,674,000	\$ 2,418,000	\$ 5,208,000
Total cost	<u>\$ 13,200,000</u>			
Equivalent units		÷ <u>7,700</u>	÷ <u>7,600</u>	÷ <u>7,600</u>
Costs per equivalent unit		\$ 217.40	\$ 318.16	\$ 685.26