

Fullerton Aggregate processes raw shale into lightweight aggregate material. This process requires heat treating shale and injecting it with fly ash as it passes through rotating kilns. The shale both expands and hardens in the process, and is ideally suited to road construction. Fullerton uses the FIFO process costing method to account for production. The following information is available for a recent period:

Beginning work in process on September 1 consisted of 75,000 tons that were 80% complete with respect to raw materials and 50% complete with respect to conversion costs.

Ending work in process on September 30 consisted of 60,000 tons that were 70% complete with respect to raw materials and 40% complete with respect to conversion costs.

860,000 tons of material were put into production, and 875,000 tons exited production. There is no spoilage or loss of tonnage in the production process.

Beginning work in process carried a total cost of \$265,000, divided 40/20/40 with respect to direct material/direct labor/factory overhead. Additional costs incurred during the month were \$3,000,000, divided 50% to direct material and the remainder on a 1:2 ratio between direct labor and factory overhead.

- (a) Prepare a cost of production report for September.
- (b) Prepare journal entries to reflect the introduction of additional costs during September, as well as the transfer of completed units to finished goods.