

Exercise 4-12 (20 minutes)

FIFO Method

1.	<i>Materials</i>	<i>Labor</i>	<i>Overhead</i>
To complete beginning work in process:			
Materials: 5,000 gallons × (100% – 80%).....	1,000		
Labor: 5,000 gallons × (100% – 60%).....		2,000	
Overhead: 5,000 gallons × (100% – 60%).....			2,000
Units started and completed during the period*	37,000	37,000	37,000
Ending work in process:			
Materials: 8,000 gallons × 75%	<u>6,000</u>		
Labor: 8,000 gallons × 50%		<u>4,000</u>	
Overhead: 8,000 gallons × 50%			<u>4,000</u>
Equivalent units of production	<u>44,000</u>	<u>43,000</u>	<u>43,000</u>

* 45,000 units started into production – 8,000 units in ending work in process = 37,000 started and completed

2.	<i>Materials</i>	<i>Labor</i>	<i>Overhead</i>
Cost added during the period (a)	\$52,800	\$21,500	\$32,250
Equivalent units of production (b)	44,000	43,000	43,000
Cost per equivalent unit (a) ÷ (b)	\$1.20	\$0.50	\$0.75