CHAPTER LEARNING OBJECTIVES:

MAJOR:
- Conceptual understanding of and calculation of equivalent units.
  - Weighted-Average method and FIFO method - Appendix 4A.
- Knowledge of production report contents and purpose.

NOT IMPORTANT:
- Production report preparation.

Recall that in Job Order Costing there are 3 inventory accounts (RM, WIP & FG); it's the same for Process Costing. The Flow Of Costs and related journal entries are also the same.

Costs are accumulated so we can calculate total cost and per unit cost in both Job Order and Process Costing. PER UNIT COST is the major goal for managerial purposes.

In Job Order Costing costs are accumulated by Job but in Process Costing costs are accumulated by department.

Each job is different in Job Order but in Process Costing each unit is identical to all others.

In Job Order Costing cost data is summarized on a Job Cost Sheet but in Process Costing the data is summarized on a PRODUCTION REPORT.

PRODUCTION REPORT has:
- Quantity schedule and equivalent units:
  - number of units to account for, units accounted for, and conversion to equivalent units
- Unit cost data:
  - beginning cost plus added cost
- Cost reconciliation:
  - cost to be accounted for and accounted for

EQUIVALENT UNITS is the number of units that would have been completed if all work had resulted in completed units. Note: A visual demonstration will be given in class.

WEIGHTED AVERAGE method assumes all beginning units require 100% of material and conversion costs to complete regardless of actual amount of material and conversion costs needed. Mixes some prior period costs with current period costs (Average).

I.e., beginning inventory \( \times \) 100%
\[
\text{started & completed} \times 100% \\
\text{ending inventory} \times \% \text{ completed this period}
\]

FIFO method differs only in the treatment of beginning inventory. The percentage used is the ACTUAL percentage necessary to finish the units. (i.e., the complement of the actual percentage done when the period started.) Keeps all costs of each period separate.

I.e., beginning inventory \( \times (1.00 - \text{percentage complete}) \)
\[
\text{started and completed} \times 100% \\
\text{ending inventory} \times \% \text{ completed this period}
\]

FORMULAS TO DETERMINE UNITS STARTED AND COMPLETED (S/C):
\[
\text{S/C} = \text{Units Started minus Ending Units}, \text{ or } \text{I.e., } \text{S/C} = \text{S} - \text{E}
\]
\[
\text{S/C} = \text{Transferred Units minus Beginning Units} \text{ or } \text{S/C} = \text{T} - \text{B}
\]