

Example (1) :-

Ali co. manufactures a product known as (xxx). The transactions for the month of march 2021 were as follows:

Purchase of raw materials	\$ 1,000,000
Labor/Wages incurred	300,000
Factory overhead incurred	400,000
Units completed	50,000 units
Units sold	49,900 units

There are no beginning inventories of raw materials, work in process and finished goods. The standard cost per unit of output is \$ 34.80 (\$ 19.80 for raw materials and \$15 for conversion costs, of which \$ 6 is for labor cost.

Required: Prepare the journal entries if:

- Using Traditional costing
- Back flush costing using three trigger points (purchases(A), completion of goods(C) and upon sale(D))
- Back flush costing using two trigger points (purchase (A) and upon sale(D))
- Back flush costing using two trigger points (completion of goods (C)and upon sale(D))

Solutions:

a- Traditional costing:-

Stage A

1. Raw Materials inventory control	1,000,000
Accounts payable	1,000,000

2. Factory Overhead	400,000
Various accounts	400,000

Stage B

3. Work in Process inventory (50,000 X \$19.80)	990,000
Raw Materials inventory control	990,000

4. Work in Process	300,000
Accrued Wages (payroll)	300,000

5. Work In process (50,000 X \$9)	450,000
FOH Applied	450,000

Stage C

6. Finished Goods	1,740,000
Work in Process	1,740,000

Stage D

7. cost of goods sold(COGS)	1,736,520
Finished Goods	1,736,520
(49,900 X \$34.80)	

8.	FOH Applied	450,000	
	FOH		400,000
	Cost of goods sold		50,000

b- Back flush- Three Trigger Points (purchase , completion, sale) (method 1) :-

Stage A :

A1 .Raw- in process (RIP) Inventory	P1,000,000	
Accounts Payable		P1,000,000

A2 . Conversion Cost(CC)	700,000	
Accrued Payroll		300,000
Various		400,000

Stage C :-

C1. Finished Goods (FG)	1,740,000	
RIP Inventory		990,000
CC Applied (50,000 X \$15)		750,000

Stage D :-

D1 .Cost of goods sold(COGS)	1,736,520	
Finished Goods		1,736,520
(49,900 unit x \$ 34.80 per unit)		

D2 . conversion cost(CC) Applied	750,000	
COGS		50,000
Conversion cost		700,000

C -Back flush- Two Trigger Points (Purchases and Sale)- (method 2)

A1 . RIP Inventory	1,000,000	
Accounts Payable		1,000,000

CC	700,000	
Various accounts		700,000

D1. COGS (49,900 x p34.80)	1,740,000	
RIP Inventory		990,000
CC Applied		750,000

D2 .Overhead Applied CC	750,000	
COGS		50,000
CC		700,000

d.Back flush-Two Trigger Points (Completion and Sale)- (method 3)

Stage C :

CC 700,000

Various accounts 700,000

Stage D

Finished Goods (50K X \$34.80) 1,740,000
Accounts Payable 1,000,000
CC Applied (50K X P15) 750,000

COGS 1,736,520
Finished Goods 1,736,520

` Overhead Applied CC 750,000
COGS 50,000
CC 700,000

