

30 minutes

Faulkner Drink Company processes direct materials up to the splitoff point, where two products, A and B, are obtained. The following information was collected for the month of July:

Direct materials processed:	1,250 liters with	20.00% shrinkage
Production:	A	750 liters
	B	250 liters
Sales:	A	\$ 15.00 per liter
	B	\$ 10.00 per liter

Cost of purchasing 1,240 liters of direct materials and processing it up to the splitoff point to yield a total of 1,000 liters of good products was \$3.60 per liter. There were no inventory balances of A and B.

Product A may be processed further to yield 700 liters of Product Z5 for an additional processing cost of \$150. Product Z5 is sold for \$25.00 per liter. There was no beginning inventory and ending inventory was 70 liters. Product B may be processed further to yield 230 liters of Product V7 for an additional processing cost of \$275. Product V7 is sold for \$30.00 per liter. There was no beginning inventory and ending inventory was 46 liters.

**Q1** What are the expected final sales values of production, respectively, if Product Z5 and Product V7 are produced?

Z5  
V7


**Q2** What is Product Z5's and V7's estimated net-realizable value at the splitoff point?

Z5  
V7


**Q3** What is Product Z5's and Product V7's respective production cost per unit, assuming joint costs are allocated using the estimated net realizable value method?

Z5  
V7


**Q4** If the Physical Measure Method is used instead, what fractions of joint costs will be allocated to Z5 and V7

Z5  
V7


**Q4** Will the value of the ending inventory be higher if the Physical Measure Method is used instead ?

Z5  
V7
