

2. value:
10.00 points

Walsh Company manufactures and sells one product. The following information pertains to each of the company's first two years of operations:

Variable costs per unit:	
Manufacturing:	
Direct materials	\$ 25
Direct labor	\$ 14
Variable manufacturing overhead	\$ 3
Variable selling and administrative	\$ 2
Fixed costs per year:	
Fixed manufacturing overhead	\$ 240,000
Fixed selling and administrative expenses	\$ 90,000

During its first year of operations, Walsh produced 50,000 units and sold 40,000 units. During its second year of operations, it produced 40,000 units and sold 50,000 units. The selling price of the company's product is \$52 per unit.

Required:

1. Assume the company uses variable costing:
 - a. Compute the unit product cost for year 1 and year 2.

	Year 1	Year 2
Unit product cost		

- b. Prepare an income statement for year 1 and year 2.

Walsh Company		
Income Statement		
	Year 1	Year 2
Variable expenses		
Total variable expenses		
Fixed expenses		
Total fixed expenses		
Net operating income (loss)		

2. Assume the company uses absorption costing:

a. Compute the unit product cost for year 1 and year 2. **(Round your answer to 2 decimal places.)**

	Year 1	Year 2
Unit product cost		

b. Prepare an income statement for year 1 and year 2. **(Round your intermediate calculations to 2 decimal places)**

Walsh Company		
Income Statement		
	Year 1	Year 2
Net operating income (loss)		

3. Reconcile the difference between variable costing and absorption costing net operating income in year 1 and year 2.

	Year 1	Year 2
Variable costing net operating income (loss)		
Absorption costing net operating income (loss)		

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References

eBook & Resources

Worksheet

Learning Objective: 06-01
Explain how variable costing differs from absorption costing and compute unit product costs under each method.

Learning Objective: 06-03 Reconcile variable costing and absorption costing net operating incomes and explain why the two amounts differ.

Difficulty: 1 Easy

Learning Objective: 06-02
Prepare income statements using both variable and absorption costing.

[Check my work](#)

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