

Note on Process Costing and Rounding

Page 188

The note on page 188 states that there is an expected output of 4,050kg at a cost of £28,580 - £450 = £28,130. This works out at £6.945679 per unit. This can be rounded to £6.95 for the 'unit cost' column, but for the 'total cost' column the full six decimal places must be used (otherwise the process account will not be accurate) when calculating the total cost of finished goods (£6.945679 times 4,200 units = £29,171.852 = £29,172) and the total cost of the abnormal gain (£6.945679 times 150 units = £1,041.8519 = £1,042).

To summarise, the unit cost column can be rounded to two decimal places but, for accuracy, the total cost column should be calculated using the full range of decimals and only rounded to pence at the final calculation.