



There are two ways of accounting for byproduct products: the production method and the sales method. The production method recognizes byproducts in the financial statements at the time production is completed. The sales method delays recognition of byproducts until the time of sale. The following schedule shows the income statement of Westlake Corporation under both methods.

هنالك طريقتان للمحاسبة عن المنتجات العرضية : طريقة الانتاج وطريقة المبيعات . في طريقة الانتاج يتم الاعتراف بالمنتجات العرضية في القوائم المالية في وقت اتمام الانتاج . اما في طريقة المبيعات فيؤجل الاعتراف

بالمنتجات العرضية حتى وقت البيع . والجدول الآتي يعرض كشف الدخل
لشركة ومبت لاك في ظل كلا الطريقتين .

	Production Method	Sales method
Revenues		
Main product: Fine-grade lumber (40,000 b.f. * \$6 per b.f.)	240 000	240 000
Byproduct: Wood chips (1,200 c.f. * \$1 per c.f.)	--	1200
Total revenues	240 000	241 200
Cost of goods sold		
Total manufacturing costs	250 000	250 000
Deduct byproduct revenue (4,000 c.f. *\$1 per c.f.)	(4000)	---
Net manufacturing costs	246 000	250 000
Deduct main-product inventory (10000/50000)*246000(Prod.meth.) (10000/50000)*250000(Sal.meth.)	(49200)	(50000)
Cost of goods sold	(196800)	(200000)
Gross margin	43200	41200

Production Method: Byproducts Recognized at Time Production Is Completed

This method recognizes the byproduct in the financial statements -the 4,000 cubic feet of wood chips - in the month it is produced, July 2012. The NRV from the byproduct produced is offset against the costs of the main product. The following journal entries illustrate the production method:

تعترف هذه الطريقة بالمنتج العرضي في القوائم المالية - 4000 عبوة من
لحم التعليق- في الشهر الذي تم فيه الإنتاج وهو تموز 2012 . وصافي
القيمة القابلة للتحقق للمنتج العرضي تطرح من تكاليف المنتج الرئيسي .

والآتي في سود اليومية التي توضح هذه الطريقة.

1.	Work in Process	150,000	
	Accounts Payable		150,000

To record direct materials purchased and used in production during July.

2.	Work in Process	100,000	
	Various accounts (such as Wages Payable and Accumulated Depreciation)		100,000

To record conversion costs in the production process during July; examples include energy, manufacturing supplies, all manufacturing labor, and plant depreciation.

3.	Byproduct Inventory—Wood Chips (4,000 c.f. * \$1 per c.f.)	4,000	
	Finished Goods—Fine-Grade Lumber (\$250,000 - \$4,000)	246,000	
	Work in Process (\$150,000 + \$100,000)		250,000

To record cost of goods completed during July.

4a.	Cost of Goods Sold [(40,000 b.f. / 50,000 b.f.) * \$246,000]	196,800	
	Finished Goods—Fine-Grade Lumber		196,800

To record the cost of the main product sold during July.

4b.	Cash or Accounts Receivable (40,000 b.f. * \$6 per b.f.)	240,000	
	Revenues—Fine-Grade Lumber		240,000

To record the sales of the main product during July

5.	Cash or Accounts Receivable (1,200 c.f. * \$1 per c.f.)	1,200	
	Byproduct Inventory—Wood Chips		1,200

To record the sales of the byproduct during July.

Sales Method: Byproducts Recognized at Time of Sale

This method makes no journal entries for byproducts until they are sold. Revenues of the byproduct are reported as a revenue item in the income statement at the time of sale. These revenues are either grouped with other sales, included as other income, or are deducted from cost of goods sold. In the Westlake Corporation example, byproduct revenues in July 2012 are \$1,200 (1,200 cubic feet \$1 per cubic foot) because only 1,200 cubic feet of wood chips are sold in July (of the 4,000 cubic feet produced). The journal entries are as follows:

في ظل هذه الطريقة لا يتم تسجيل قيود يومية للمنتجات العرضية حتى يتم بيعها . ويتم التقرير عن ايرادات المنتج العرضي كفقرة ايراد في كشف الدخل وقت البيع , وهذه الايرادات اما ان يتم تجميعها مع المبيعات الاخرى باعتبارها دخولا اخرى , او تطرح من كلفة البضاعة المباعة . وفي المثال اعلاه لشركة تصنيع اللحوم , فان ايراد المنتج العرضي في شهر تموز 2012 يبلغ 1200 دولار (300 عبوة * 4 دولار للعبوة) بسبب ان ما تم بيعه هو فقط 300 عبوة من لحم التعليق في شهر تموز (من 1000 عبوة منتجة) , والاتي قيود اليومية:

1. and 2. Same as for the production method.

Work in Process	150,000	
Accounts Payable		150,000

Work in Process	100,000	
Various accounts such as Wages Payable and Accumulated Depreciation		100,000

3.

Finished Goods—Fine-Grade Lumber	250,000
Work in Process	250,000

To record cost of main product completed during July.

4a.

Cost of Goods Sold [(40,000 b.f. / 50,000 b.f.) * \$250,000]	200,000
Finished Goods—Fine-Grade Lumber	200,000

To record the cost of the main product sold during July.

4b. Same as for the production method.

Cash or Accounts Receivable (40,000 b.f. * \$6 per b.f.)	240,000
Revenues—Fine-Grade Lumber	240,000

5.

Cash or Accounts Receivable	1,200	
Revenues—Wood Chips		1,200

To record the sales of the byproduct during July.

Questions

1. Give two examples of industries in which joint costs are found. For each example, what are the individual products at the splitoff point?
2. What is a joint cost? What is a separable cost?
3. Distinguish between a joint product and a byproduct.
4. Why might the number of products in a joint-cost situation differ from the number of outputs? Give an example.
5. Provide three reasons for allocating joint costs to individual products or services.
6. Describe a situation in which the sales value at splitoff method cannot be used but the NRV method can be