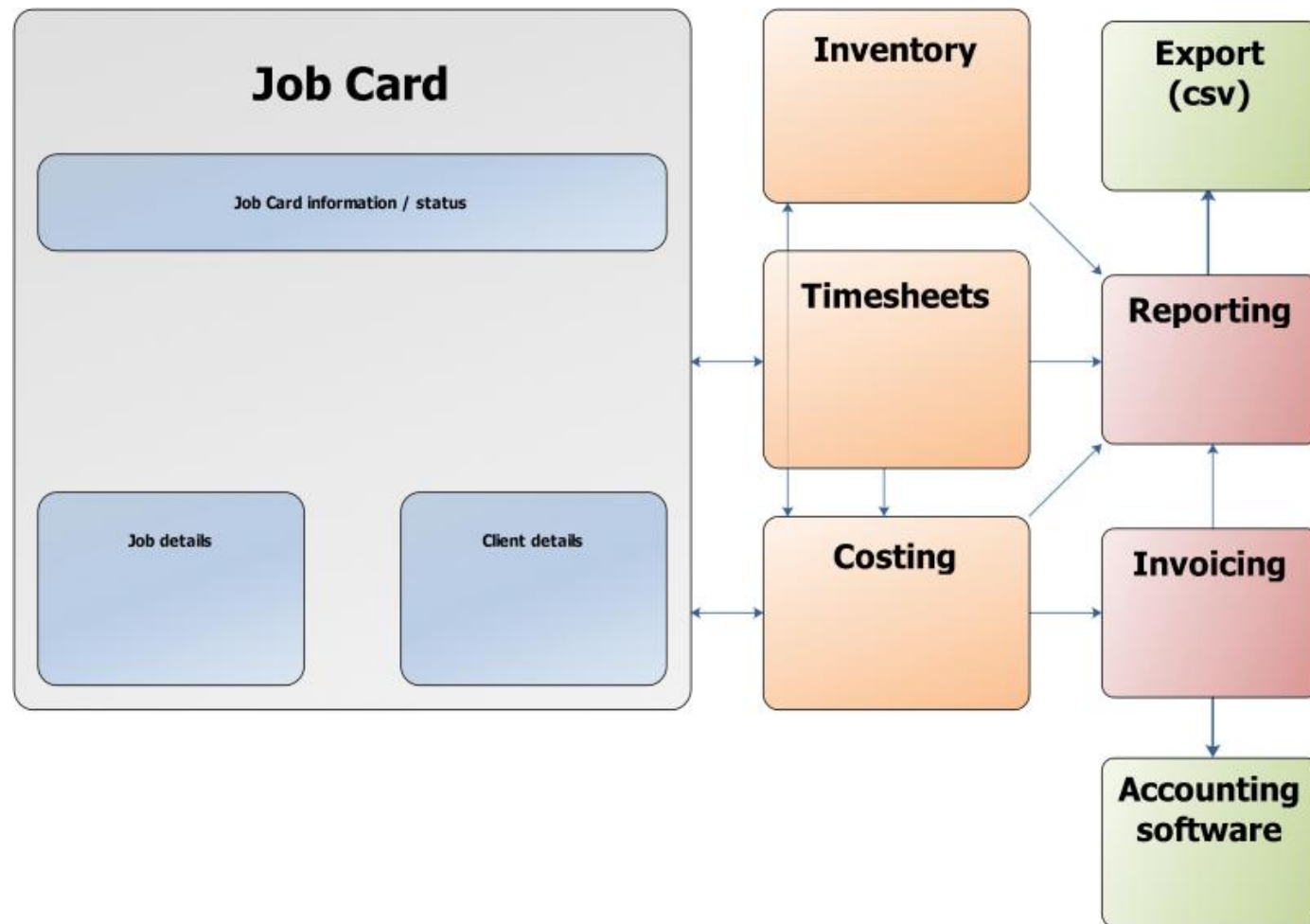


Job Costing/ ABC Costing (Cost Accounting)

This session we will learn about costing methods, (Job Costing and ABC Costing) and CVP Analysis.



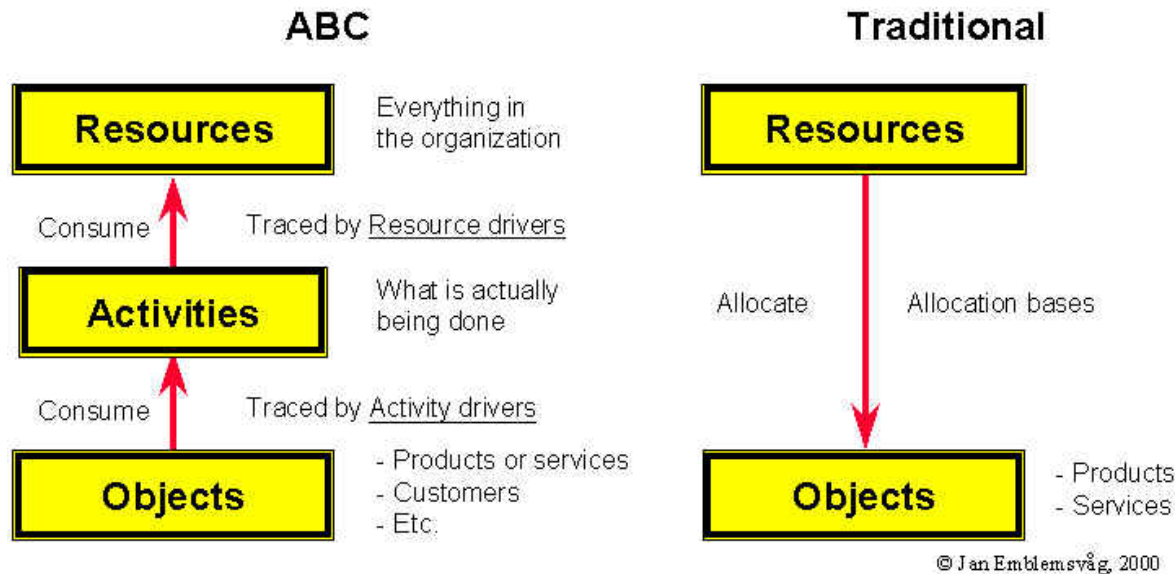
When it comes to costing methods, both job order and process costing will provide data to assist you in this task. Process costing is used when the product that you are producing is fairly homogeneous. For example, if you are producing widgets there aren't many differences between the first widget and the last. You can use process costing for this type of production. Job Costing is used when the

item is “special” or unique in nature. If you are producing custom cabinets for hotels with different specifications for each order, you will use job order costing. Job order costing is more paperwork and time. You will want to track each item that goes into the product on an individual basis. Job Order sheets are used to keep track of this. Keep in mind, the costing method that you choose is not an absolute choice. Some companies choose to use process costing because it is less expensive and easier to maintain. They will be sacrificing some of the costing details, but feel it is still worth it. If you were producing Honda Accords, would there be that much of a difference between each one? Maybe.. but in totality there really aren’t that many differences. Some car manufacturers do use process costing and others use job costing.

Web Site Alert:

Here is a good video explaining costing methods:

http://www.youtube.com/watch?v=hx5l_mv4E-s

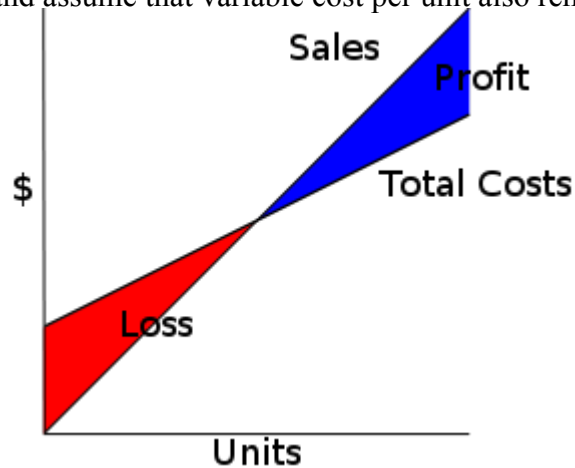


And here is a great video on ABC Costing: (copy/ paste into your browser)

http://www.youtube.com/watch?v=lr4n6t64Ca8&list=FLRdNV_L3nGyG8QdcTYFwKHW&index=46

CVP Analysis

Now let's see what CVP Analysis is all about! The key point in CVP is the break-even point. That is where Revenues = Costs. There are certain assumptions one must make when using CVP and break-even points. You must assume that there is a constant sales price and assume that variable cost per unit also remains constant.



A good tutorial is available at: <http://www.youtube.com/watch?v=P03x6uWHqL8>

How to compute direct and absorption cost.

<http://www.docstoc.com/docs/51883263/DIRECT-COSTING-VS-ABSORPTION-COSTING>

Another great site for preparation of the income statement:

<http://www.microbuspub.com/pdfs/chapter6.pdf>

Happy Accounting!

Prof Touhey
