

Cost Accounting For The Finished Product

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Corporate Structure and Cost Accounting

A company is an organization duly registered under the requirements of the law. The business has both internal and external constitutions that govern its operations within and outside the environment (Hopper & Armstrong, 1991).

High-Speed Manufacturer Business Concept

High-speed Manufacturer is a company I would like to start with an initial authorized capital of ten million divided into one million shares of ten shillings each. The company will deal with the production of telecommunication gadgets such as phones and tablets. In other words, the company will deal with high-end products due to the nature of their production. The produce is mainly for sale to the general public and individuals who require customized items.

Production Inputs and Cost Components

The product will require an input of expensive materials that make it a high-end product. The inputs include materials such as gold, lithium, silicon and glass. In addition to materials, skilled labor forms the basis of all expensive products. Skilled labor is updated with the relevant technology that helps to develop important prototypes. Accompanying the major costs are expenses and other overheads, which form part of the costs initiated in the production process.

Estimated Direct and Indirect Costs

The table included shows the combined costs of both direct and indirect requirements for the finished product.

Particulars	Amount
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Material cost; it will involve all the materials incorporated in the manufacture of the products. The materials include gold products, glass, lithium and silicon.	The estimated cost of the materials is about five hundred thousand US dollars.
Labour. The company will require highly skilled persons to help in the provision of labor. They must be conversant with the technology and incorporate it in the process of manufacturing.	The cost will vary from the level of experience and the functions an individual performs. In total labour cost is expected to be at eighty thousand US dollars.
Expenses and other relevant costs, such as the cost of launching the product, including selling and distribution.	The costs are estimated at about thirty thousand US dollars.

Due to the nature of the products and the target population, the product selling price is marked at the rate of twenty-five percent for the start and breakthrough of the market.

Cost Statement and Unit Pricing

The cost statement will be as follows;

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Cost of materials: 500, 000

Cost of labor: 80,000

Overheads and expenses: 30,000

The total cost of sales was 610,000

The expected output from the capital invested is 1000 units for the start. Therefore, the cost of one unit is $610,000/1000 = \$610$

To obtain the selling price, we need to mark it up with a markup of 25%.

The selling price will be 125% of \$610

= \$762.5 per unit.

Profit Estimation and Process Costing

The selling price incorporates a profit of $\$762.5 - \$610 = \$152.5$ per unit. Therefore, for every batch of 1000 units produced, the profit will be $\$152.5 \times 1000 = \15250 . The selling price is absolutely favorable and will have a return impact on the investor who wishes to invest in High-Speed Company. Process costing is important in my company since the production of the items will be in stages, and all the stages will require inputs (Drury, 2013). Basically, a complete item of a phone will require undergoing three stages or processes. Therefore, in the beginning, all inputs will be introduced to the system for the first time. After that, the output of one process will be the input of the next process till

the finished good is attained.

Evaluation of Alternative Costing Methods

Activity-based costing, variable costing and throughput costing are not suitable methods to use in the company. Firstly, the company involves various processes, and the methods here cannot assist in ascertaining the relevant cost of each process. Activity-based costing requires the assignment of activity costs to the relevant resources and services as opposed to process costing. The procedure is involved in assigning more indirect costs than the direct costs which are not the case when production takes place.

Variable costing, also known as absorption costing, separately identifies the variable costs involved in production and treats them differently from the fixed costs. The approach is not comprehensive as compared to process costing which does not classify the costs into separate subheadings.

The throughput method separates direct materials from other costs. The approach considers direct materials as inventory costs. All other costs related to manufacturing are treated as period costs. They are assumed not to occur more often and thus only incurred during the manufacturing process (Hansen, Mowen, & Guan, 2007).

Ethical Standards in Cost Accounting

Ethics is one of the most vulnerable areas of cost accounting. The accounting standards help to uphold the ethical standards in the field of accounting, auditing and reporting (Horngren, Bhimani, Datar, Foster, & Horngren, 2002). Ethical considerations play a major role in the costs related to identifiable cost centers being recorded as they occur. The standards help in the provision of information that reflects facts and the true nature of the company's information to the users (Cooper & Kaplan, 1988). In addition, determining the prices of products requires discipline, hence giving important information that helps in pricing.

Conclusion on Manufacturing Cost Control

In conclusion, the manufacturing of high-end products involves complex stages that require technical skills to handle. The raw materials undergo various processes, and in each, a finer product is obtained before capturing the finished good. The company must ensure the installation of a system that helps reduce cut costs.

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