Job Order Costing

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Chapter
20

Managerial Accounting

Lecture 06: Job Order Costing

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study objectives

1. Explain the characteristics and purposes of cost accounting.
2. Describe the flow of costs in a job order costing system.
3. Explain the nature and importance of a job cost sheet.

Preview

Job Order Costing

Cost Accounting Systems

- Job order cost system
- Process cost system

Job Order Cost Flow

- Accumulating manufacturing costs
- Assigning manufacturing costs to work in process
- Assigning costs to finished goods
- Assigning costs to cost of goods sold
- Job order costing for service companies
- Summary of job order cost flows
- Advantages and disadvantages of job order costing

Reporting Job Cost Data

- Cost of goods manufactured schedule
- Income statement presentation
- Under- or overapplied manufacturing overhead

Cost Accounting Systems

Cost Accounting involves:

Measuring,

Recording, and

Reporting of product costs

- Accounts are fully integrated into the general ledger.
- Perpetual inventory system provides immediate, up-to-date information.
- Two basic types: (1) a **job order cost system** and (2) a **process cost system**.

SO 1 Explain the characteristics and purposes of cost accounting.

Cost Accounting Systems

Job Order Cost System

- Costs are assigned to each job or batch.
- A job may be for a specific order or inventory.
- **A key feature**: Each job or batch has its own distinguishing characteristics.
- **The objective**: To compute the cost per job.
- Measures costs for each job completed – not for set time periods.

SO 1 Explain the characteristics and purposes of cost accounting.

Cost Accounting Systems

Illustration 2-1



SO 1 Explain the characteristics and purposes of cost accounting.

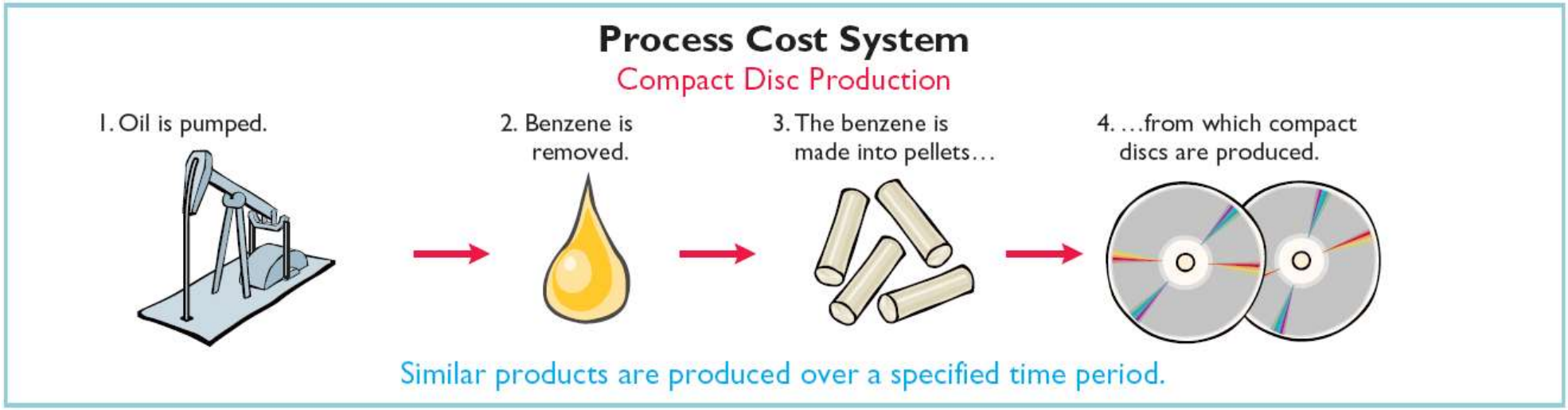
Cost Accounting Systems

Process Cost System

- Used when a **large volume of similar products** are manufactured - (Cereal, Automobiles, Compact Discs, Paint).
- Costs are accumulated for a **specific time period** – (week or month).
- Costs are assigned to departments or processes for a **set period of time**.

Cost Accounting Systems

Illustration 2-2



SO 1 Explain the characteristics and purposes of cost accounting.

Review Question

Cost accounting involves the measuring, recording, and reporting of:

a. Product costs.

b. Future costs.

c. Manufacturing processes.

d. Managerial accounting decisions.

SO 1 Explain the characteristics and purposes of cost accounting.

Job Order Cost Flow

Job Cost Sheet

Illustration 2-5

Job Cost Sheet

Job No. _____ Quantity _____
Item _____ Date Requested _____
For _____ Date Completed _____

Date	Direct Materials	Direct Labor	Manufacturing Overhead

Cost of completed job
Direct materials $ _____
Direct labor _____
Manufacturing overhead _____
Total cost $ _____
Unit cost (total dollars ÷ quantity) $ _____

SO 3 Explain the nature and importance of a job cost sheet.

End of Lecture 06

THANK YOU ALL...