Advantages and disadvantages of job order costing system

Finance

The paper " Advantages and Disadvantages of Job Order Costing System" is an outstanding example of an assignment on finance and accounting. What are the main pros and cons of a Job-Order Costing system? The ability to track costs as they happen provides a real-time account of the costs that the company incur in their operations. The computerized approach to organization cost management provides the need to have a system that records all the costs as they occur compared to the old system that provides a record at the end of the job. Another pros is that the Job-Order Costing system provides readily available data essential for management decision making. The cons include the systems inability to focus on the departmental aspects of the organization rather than the single products. The application of this leaves the management with less information to make decisions. Under and over-allocation of costs may also occur through this system due to the allocation of costs (Ahmed). The system also ignores actual costs and considers the use of the standard overheads.

What do you think would be the greatest challenge in maintaining a Job-Order Costing system for a manufacturing company?

A manufacturing company holds different departments that need an effective allocation of costs to ensure that the costing is accurate and all costs prove accounted for in the system. The Job-Order Costing system takes to account the different costs that the products incur on an actual input. These take into account all the different products that the company produces but may ignore the costs of the different departments hence affecting the manufacturing process. These may provide wrong accountability for the manufacturing process and hence a negative effect. The application of the

job order costing system on manufacturing companies provides a

disadvantage to the management since it involves the need to use other

costing systems that may provide a challenge.