

Cost accounting study guide assignment

[Business](#)



It also highlights the nonofficial objectives that an organization must achieve to meet and sustain its financial objectives. The scorecard measures an organization's performance from four perspectives: (1) financial, the profits and value created for shareholders; (2) customer, the success of the company in its target market; (3) internal business processes, the internal operations that create value for customers; and (4) learning and growth, the people and system capabilities that support operations.

Financial Perspective Income and investment measures: Economic value added return on investment Revenue and cost measures: Revenue growth, revenues from new reduces, cost reductions in key areas Income measures: Operating income, gross margin percentage Customer Perspective Market share, customer satisfaction, customer-retention percentage, time taken to fulfill customers' requests, number of customer complaints Internal-Business-process Perspective Innovation Process: Operating capabilities, number of new products or services, new- product development times, and number of new patents Operations Process: Yield, defect rates, time taken to deliver product to customers, percentage of on-time deliveries, average time taken to respond to orders, setup mime, manufacturing downtime Apostates Service Process: Time taken to replace or repair defective products, hours of customer training for using the product Learning-and-Growth Perspective Employee measures: Employee education and skill levels, employee-satisfaction ratings, employee turnover rates, percentage of employee suggestions implemented, percentage of compensation based on individual and team incentives Technology measures: Information system availability, percentage of processes with advanced controls 3.) Design quality – how

closely the characteristics of a product or Irvine meet the needs and wants of customers Conformance quality – is the performance of a product or service relative to its design and product specifications 4.) Costs of quality are classified into four categories; examples for each category are listed in Exhibit 19-1. 1 . Prevention costs-?? costs incurred to preclude the production of products that do not conform to specifications 2. Appraisal costs-?? costs incurred to detect which of the individual units of product do not conform to specifications 3.

Internal failure costs-?? costs incurred on defective products before they are shipped to customers 4. External failure costs-?? costs incurred on defective products after they have been 5.) For production line A, all observations are within the range of $\pm 2\sigma$, so management believes no investigation is necessary. For production line B, the last two observations signal that a much higher percentage of copiers are not perform as they should, indicating that the problem is probably because of a nonrandom, out-of-control occurrence such as an incorrect speed setting or mishandling of a component part. Given the rule, both observations would be investigated.

Production line C illustrates a process that would not prompt an investigation under the $\pm 2\sigma$ rule but that may well be out of control, because the last eight observation show a clear direction, and over the last six days, the percentage of defective copier are increasing and getting further and further away from the mean. The pattern of observations moving away from the mean could be due, for example, to the tooling on a machine beginning to wear out, resulting in poorly machined parts. 6.) Observations outside control limits serve as inputs for Pareto diagrams. A Pareto diagram is a <https://assignbuster.com/cost-accounting-study-guide-assignment/>

chart that indicates how frequently each type of defect occurs, ordered from the most frequent to the least frequent.

Exhibit 19-4 presents a Pareto diagram of quality problems for all observations outside the control limits at the final inspection point in 2011. Fuzzy and unclear copies are the most frequently recurring problem. Fuzzy and unclear copies result in high rework costs. Sometimes fuzzy and unclear copies occur at customer sites and result in high warranty and repair costs and low customer satisfaction. 7. The most frequently recurring and costly problems identified by the Pareto diagram are analyzed using cause-and-effect diagrams. A cause-and-effect diagram identifies potential causes of defects using a diagram that resembles the bone structure of a fish (hence, cause-and-effect diagrams are also called fishbone diagrams). Exhibit 19-5 presents the cause-and-effect diagram describing potential reasons for fuzzy and unclear copies. The “backbone” of the diagram represents the problem being examined. The large “bones” coming off the backbone represent the main categories of potential causes of failure. The exhibit identifies four of these: human factors, methods and design factors, machine related factors, and materials and components factors. 8.) Relevant costs are expected future costs, and relevant revenues are expected future revenues that differ among the alternative courses of action being considered. Revenues and costs that are not relevant are said to be irrelevant.

It is important to recognize that to be relevant costs and relevant revenues they must: Occur in the future-?? every decision deals with selecting a course of action based on its expected future results. Differ among the alternative courses of action-?? costs and revenues that do not differ will not

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matter and, hence, will have no bearing on the decision being made. 9.)

10.) 3 major influences on pricing decisions Customers, Competitors, and Costs
Customers Customers influence price through their effect on the demand for a product or service, based on factors such as the features of a product and its quality. Competitors No business operates in a vacuum. Companies must always be aware of the actions of their competitors. Costs Costs influence prices because they affect supply.

The lower the cost of producing a product, the greater the quantity of product the company is willing to supply. 1 1 .) A value-added cost is a cost that, if eliminated, would reduce the actual or perceived value or utility (usefulness) customers experience from using the product or service. Examples are costs of specific product features and attributes desired by customers, such as reliability, adequate memory, preloaded software, clear images, and, in the case of Provable, prompt customer service. A nouvelle-added cost is a cost that, if eliminated, would not reduce the actual or received value or utility (usefulness) customers gain from using the product or service. It is a cost that the customer is unwilling to pay for.

Examples of nouvelle- added costs are costs of producing defective products and cost of machine breakdowns. Successful companies keep nouvelle-added costs to a minimum. Activities and their costs do not always fall neatly into value-added or unevaluated categories. Some costs, such as supervision and production control, fall in a gray area because they include mostly value-added but also some nouvelle-added components. Despite these troublesome gray areas, attempts to distinguish value- added from unevaluated costs provide a useful overall framework for value engineering.
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In the Provable example, direct materials, direct manufacturing labor, and direct machining costs are value-added costs.

Ordering, receiving, testing, and inspection costs fall in the gray area.

Rework costs are non-value-added costs. 12.) Cost incurred describes when a resource is consumed (or benefit forgone) to meet a specific objective.

Locked-in costs, or designed-in costs, are costs that have to yet been incurred but, based on decisions that have already been made, will be

incurred in the future. 13.) A controllable cost is any cost that is primarily subject to the influence of a given responsibility center manager for a given period. 1 . Few costs are clearly under the sole influence of one manager. 2.

With a long enough time span, all costs will come under somebody control.

However, most performance reports focus on periods of a year or less. 14.)

Responsibility accounting should focus on gaining information and knowledge, not only on control. Responsibility accounting helps managers to first focus on whom they should ask to obtain information and not on whom they should blame. It is not to fix blame but to gather information to enable

future improvement. 15.) Budgetary slack describes the practice of underestimating budgeted revenues, or overestimating budgeted costs, to make budgeted targets more easily achievable. It frequently occurs when budget variances (the differences between actual results and budgeted amounts) are used to evaluate performance.

Budgetary slack provides managers with a hedge against unexpected adverse circumstances. But budgetary lack also misleads top management about the true profit potential. 16.) To avoid problems of budgetary slack,

1 . Some companies use budgets primarily for planning purposes. 2. Use different approaches to obtain accurate information. 3. Managers to involve themselves regularly in understanding what their subordinates are doing. 4. Set of core values and norms. These values and norms describe what constitutes acceptable and unacceptable behavior. 5. Have designed innovative performance evaluation measures that reward managers based on the subsequent accuracy of the forecasts used in preparing budgets.