

Absorption cost systems - math problem example

[Science](#), [Mathematics](#)



Absorption Cost Systems

The student has selected a very good example of a manufacturing concern that implements the job order costing system in order to account for the cost of every job completed. In airplane manufacturing, each job, which is supposedly the complete manufacturing of a plane, requires substantial cost which primarily include material and highly skilled technical cost. In addition to that, Boeing has a state of the art technological infrastructure, which is charged as overhead in the cost of each and every plane and that is how it is able to recover the capital expenditure. Job order costing system is most appropriate for such types of manufacturing concerns. The student has also aptly identified the problem of currency fluctuations. Since Boeing is a giant multinational, having its operations and factors of production spread all across the globe, it is implied that it might face certain difficulties in implementing the different currencies and tax structure of other countries into its management accounting,