

# The types of costing methods accounting essay

[Business](#), [Accounting](#)



Financial Accounting Accounting treats money as a means of measuring of economic performance instead of a factor of production. Hence, it includes the entire system of monitoring and control of money such as flows in and out of an organization as assets and liabilities add on with revenues and expenses. Thus, financial accounting congregates and summarizes financial data to prepare financial reports such as balance sheet and income statement for organization's management, investors, lenders, suppliers, tax authorities, and other stakeholders. The difference between financial and managerial accounting is that financial accounting is point out at providing information to external environment. Other than that, to master financial accounting, it requires years of study skill and practical practice. In addition to that, it is signified by an accounting designation that depends on authority. As for managerial accounting, the purpose is to create monthly internal planning, control and also decision making. The plan of these reports is to sense to provide wider decision making with using the right tools for budgeting reason. For common reason, accounts help us to manage our daily expenses. As a consequence, we unconsciously utilize accounts every day.

**189 words**

## **Task 1**

### **Cost accounting :**

Cost accounting is an advance to evaluate the overall costs that are linked with performance business. Generally it is based on standard accounting practices. Cost accounting is one of the tools that managers use to decide what type and how much expenses is involved to continue the

current business. When it comes to measuring how prudently company resources are being utilized, cost accountings assist in providing the data relevant to the current circumstance by identifying production costs and additional defining the cost of production by three or more successive business cycles, Other than that, by using this approach, it is possible to find out the cause for the changes steps to contain the situation before bottom line profits are traced to a higher level. As for the product development and marketing strategies, are also notified by the utilization of cost accounting. Consequently, cost accounting is helpful in making a number of business decisions via weighing the actual costs against the anticipated benefit. In addition to that, cost accounting helps an organization to avoid product to be launched with no real market, also prevent the purchase of unnecessary goods and services, or change the current operational model in a way that will avoid decreasing efficiency.

### **Types of costing methods :**

**Unit Costing:** This method also known as 'Single output Costing'. This costing method is used for products which can be expressed in similar quantitative units and is suitable for products which are manufactured by continuously manufacturing activities. Thus, unit costing comes in a huge bunch. Hence, costs are determined for convenience units of output such as flour, bricks and etc. **Job Costing:** Meanwhile, this job costs are determined for every work order to be separated as every job has its own stipulation and range such as painting, fixing building, repairing cars or building a house. **Contract Costing:** While for contract costing, it is done for big work which involves huge amount of expenses and usually will be extended for a longer

period and often it is undertaken at different sites as each contract is treated as a part unit for costing. Furthermore, it is known as Terminal Costing.

Examples provided: constructions, repairing walls and etc. Batch Costing: As for batch costing is use where the units produced in a batch are consistent in natural and basic design. The reason is to treat each batch as a work done or separated unit to ease further working. Mainly, cakes shops, food shops

apply batch costing. Operating Costing or Service Costing: Cost of operating a service such as services line, bus, railway or chartered bus. As this method

is use to determine the cost of services line. Process Costing: Use for the products to go through different processes such as producing toys. Multiple

Costing: Use when the output include many collectable parts or components such as computers, air-conditioner. Other than that, the costs have to

identify each component and also identify the finished product. As, such costing may involve different methods of costing for different components.

Therefore, this type of costing is usually known as composite costing or

multiple costing. Uniform Costing: Lastly, uniform costing is a type of system using the same method of costing by a number of organizations in the

identical industry.

### **Suggestion of Costing Method for Branching in Sarawak**

I would suggest Olympia College branch in Sarawak to use contract costing because as stated in the above, contract costing is use for big work done because to build a college will need a huge amount of expenses and usually, college operates for a long time period. Furthermore, it also helps in extension for work done for a longer period. Other than that, it helps in costing for construction buildings and also equipments.

**627 words**

## **Task 2**

### **Introduction to Capital Costs, Operation & Maintenance Costs:**

Capital cost is the opportunity of cost for funds for employed. It is the outcome of an investment decision making Hence, rate of return of that organization business could profit from another investment or equivalent risk. Other than that, capital cost also include, owner's general office overhead, inspection and testing of equipments, labors and many more. Meanwhile, for operation and maintenance costs will be the expenses of the maintaing equipments needed to maintain and also the terms of businesses operates.

### **Magnitude and Importance of Capital Costs, Operation & Maintenance Costs**

The magnitude of each of these cost components depends on the quality provided, size assumed and also the location of the project. Hence, the proprietor is determine to determine in showing the lowest cost in a project to create a consistent investment objectives for the future beneficial for propretors, consumers and employees. Thus, it is important to look for professionals and experiences construction manager to realize that construction cost maybe the largest component of the capital cost. Also, other cost are not that matter. From the point of view of propriator, it is important to guess around the operation and maintenance cost of each facility available.

## **Cost Estimation for New Branch of Olympia College in Sarawak :**

### **Estimation of Capital Costs**

#### **Storey**

#### **Facilities**

#### **Assets / Equipments**

#### **Quantity**

#### **Cost per Unit (RM)**

**1**

**(a). 4**

#### **Computer Labs**

1). PC4 x 16 = 641, 800

2). CPU4 x 16 = 64210

3). Chairs4 x 16 = 64354). Keyboards4 x 16 = 6425

5). Projectors4 x 1 = 41, 200

#### **(b). Library**

1). Tables15120

2). Chairs15035

3). Books Racks12180

4). Mini Computers51, 000

5). Lockers3300

### **(c). Cafeteria**

1). Tables 1580

2). Chairs 6025

### **(d). Kitchen**

1). Kitchen Equipments

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2). Ovens 5800

3). Refrigerator 3900

### **(e). Two Housekeeping Training Rooms**

1). Bed 2 x 1 = 2600

2). Cupboards 2 x 1 = 2120

3). Pillow 2 x 2 = 420

4). Blanket 2 x 2 = 420

5). Bed Sheet 2 x 2 = 420

### **(f). Marketing Office**

1). Tables 580600

2). Chairs 1035350

3). PC 51, 8009, 000

4). CPU 52101, 0505) Keyboards 525125

5). Photostat Machine 11, 2001, 200

### **(g). Cashier Counter**

1). Tables 280160

2). Chairs 23570

3). PC 21, 8003, 600

4). Cupboards 1220220

## **2**

### **(a). 8 Offices**

1). Tables  $8 \times 3 = 24$  801, 920

2). Chairs  $8 \times 3 = 24$  35840

3). PC  $8 \times 3 = 24$  1, 50036, 000

4). Books Racks  $8 \times 2 = 16$  1802, 880

### **(b). 15**

#### **Class Rooms**

1). Tables  $15 \times 15 = 225$  6013, 500

2). Chairs  $15 \times 15 = 225$  357, 875

3). White Boards  $15 \times 2 = 30$  401, 200

4). Projectors  $15 \times 1 = 15$  1, 20018, 000

### **Overall**

1). Air Conditioner 502, 400120, 000



2). Light5005025, 000

## **TOTAL COSTS**

**211, 190**

## **Estimation of Operation & Maintenance Costs**

### **Facilities**

1). Rental2). Electricity3). Utilities4). Air Conditioner Services5). Salaries6).  
Uniforms7). PC Maintenance

## **TOTAL COSTS**

**586 words**

### **Task 3**

The routine cost report of the new branch of Olympia College in Sarawak is as bellow: The college is required to compile under the State law to obtain approval ahead of the capital project. Olympia College have to initial apply for a certificate of need on or before December 31, 2013 that comes with fully detailed description of the project and its inference cost. As for the state government to approve or disapprove will be announce before end of the month. Thus, the college is required to pay out at least 10% of the estimated cost of the project during the college operates or a year from the college operates. Construction in Process : If Olympia College set up does not meet the requirements under the fixed asset, moveable equipment, or lengthy certificate of need provisions, the project costs may be recognized as old capital costs if all the following conditions are met:(a). The college's Board of Directors formally authorized the project with a detailed description of its scope and costs on or before June 30 2014(b). The estimated cost of the

project as of a year of the college operates must exceeds 5% of the college's total student revenues during its foundation year;(c). The capitalized cost earn for the project as announce of the operation of the college surpass 10% of the estimated project cost;(d). The project is completed before June 30 2014(5). Planning, Design or Feasibility Agreements : If these agreements do not reach the state government expectations, Olympia College will have to reconstruct before the dateline given and therefore due to this reason, they are not recognized as obligating capital expenditures.(6). Cost Limitation, Construction Contracts : The sum of money to obligate capital costs is recognized as old capital costs which means cannot exceed the estimated construction costs for the project as the following given deadline on June 30 2014. Other renovations are only be done upon state government approval or it won't be recognize as old capital.(7). Olympia College will receive benefits for supporting government and renovates the college according to the agreements to provide educations program as a type of service to consumers.(8). Meanwhile, lecturers training costs must be incurred by the incharger or by educational institutions which must also relate to the college.

**392 words**

## **Task 4**

### **Introduction to Variance analysis :**

Variance analysis is a type of budgeting (or management accounting in general). Thus, it is a tool of budgetary to control by evaluation of performance by means of variances between budgeted amount, planned amount or standard amount and the actual amount incurred or sold. Other than that, variance analysis can also be carried out for both costs and

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revenues. There are two types of variance : Favorable Variance Variance can be place in favorable category is when the results are beyond the expectation. Therefore, this means the revenues has increase more than the expected budgeted amount. Due to this, it is favorable as all business expect for revenues to increase. In additional to this, favorable variance usually gives bonus to managers or corporate leaders. Unfavorable Variance While for unfovarable variance, usually categorize as the worse because it also goes beyond the expectation but in a negative way such as if the revenues were to be overherd the expectation of cost, and the standard is also higher, the cost will be given as unfavorable or adverse. Common Uses As for the common uses, variance analysis is usually used in several types of business accounting. The most commonly used is the purchases of manufacturing materials such as the price paid for the material is lesser than the expected cost and it will be use to multiple with the actual number of units available before it obtain the final amount needed.

## Variance Analysis for New Branch of Olympia College in Sarawak :

### Variance Analysis

#### Title

#### Budgeted Amount (RM)

#### Actual Amount(RM)

#### Cost Variance (RM)

#### Volume Variance (RM)

1). Maintenance Costs on PC52 x RM200 = RM10,400  
 35 x RM180 = RM6,300  
 15 x RM180 = RM2,700

2). Air Conditioner Services 18 x RM300 = RM5,400  
 9 x RM210 = RM1,890  
 4 x RM210 = RM840

3). Part-time Lecturers Salaries 200 hr x RM45 = RM9,000  
 230 hr x RM55 = RM12,650  
 10 x RM55 = RM550

4). Renew of Staffs' Uniforms 15 x RM40 = RM600  
 20 x RM50 = RM1,000  
 5 x RM50 = RM250

5). Renew of Classrooms' Tables 15 x RM150 = RM2,250  
 11 x RM130 = RM1,430  
 20 x RM130 = RM2,600

**242 words**

#### Conclusion :

As a conclusion, financial accounting functions as to maintain a business's balances and accounts. Thus, it assist in keeping the business record legal and financially stabilize from time to time. Other than that, management

accountants usually focus on forecasting due to the have and exciting forward looking strategic role. As for it, same goes to Olympia College to have stabilize accounts before operation, during operation and also end of operation.