

# Principles of managerial accounting

Finance



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A process order costing approach is however applicable when activities are homogeneous and involve mass production. As a result, allocation of cost per single activity would be irrational such as in a food company where costing is done per process and not per unit product (Mowen, p. 182).

Equivalent units of production are necessary for a process costing approach because it facilitates allocation of costs to unit elements of a production process. This is because costs are measured with respect to processes or departments that consist of a number of units. The equivalent units are then used to derive a cost per unit of products (Mowen, p. 255).

The equivalent units of production for direct labor and overhead can be either equal to, or different from equivalent units for direct materials. This is because of the availability of different approaches to costing. An actual or normal costing approach may lead to a difference in the values while a standard costing approach may yield the same values for direct labor, overhead and direct materials (Mowen, p. 463).

#### Works cited

Mowen, Maryanne. Cornerstones of managerial accounting. New York, NY: Cengage Learning, 2011. Print.