

Accounting for strategic decision- making

Finance



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Summary of the implementation of the implementation of target costing in the United States: Theory versus practice

In her research, Ellram discusses various implementation processes together with the Asian research; mostly the Japanese research on the target costing method (13). According to her definition, target costing is a means that can significantly enhance results of new product development in accounting, engineering, operations management and purchasing literature. This summary reports the weaknesses and strengths of the paper. It further asks three questions concerning the paper to the class members who will present this work.

The various strengths of the paper about the implementation of the U. S target costing are as shown below. First, the research paper has used multiple methods, which are combined together such as the four methodological approaches. This gives better results to the report. Secondly, the paper raises the issue of supply management area, which often concerns the implementation steps to facilitate concurrent engineering, which is not raised nor discussed in the previous accounting literatures. Third, “ the allocation of target costs to the detailed component level should be performed by multidisciplinary teams in the U. S based target costing compared to the previous research on the target costing practices of the Asians firms” (Ellram 15). This stresses that target costing allocation is an individual duty. Fourth, all teams work together in U. S based target costing to resolve tensions that are created by the market pressures in conjunction with the supplier to achieve the target cost. Fifth, it illustrates that U. S target costing has very close working relationship between the supply management and design engineering. This impacts directly on a product or <https://assignbuster.com/accounting-for-strategic-decision-making/>

service's capacity to meet their target costs. This relationship is absent in other targets costing such as the Asians. Sixth, the paper discusses how the target selling price can be established through customer negotiations which are not addressed in the previous target costing research. Lastly, it shows that the supply in U. S costing method plays a major role in product development which is not clearly stated in other costing methods.

On the other hand, on weaknesses, it fails to discuss what affects the products success in U. S target costing method, whether it is the products higher prices or the markets readiness. It has also not specified the theoretical target costing time frame for each of the steps in the implementation process. Another weakness is that it shows the same way of determining the product cost which is just the same with the prior literature, therefore, a form of repetition. Besides, it does not show or explain under what circumstances does buyers set prices and the impact of the buyer power to the target costing. It does not explain how the target costing allocation to bill of materials of Japanese model leads to more profit success while few individuals are responsible for the costs. Lastly, other methods used to achieve target cost and products such as a trade-off, changing materials, etc, are not discussed in the report.

The three questions that the classmates can be asked during their representation of the summary are; what are the overlooked roles of the purchasing function in successful costing efforts as illustrated by this paper? Is the implementation of the two approaches appropriate for the U. S firms? And what are the improvements required for the two target costing methods to be done so that the methods procedures and result appear the same?

In conclusion, the summary is based on the weaknesses, strength and the

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questions that can be asked based on the paper. These weakness and strengths have summarized as discussed above to how the implementation of the U. S target costing as researched by Ellram in her paper. The three based questions to be asked based on this report have also been given.

Work Cited

Ellram, L. M. “ The implementation of target costing in the United States: Theory versus practice”. *The Journal of Supply Chain Management*, (2006) 42(1): 13-26.