

Two types of cost accounting systems essay

[Literature](#), [Russian Literature](#)



Sin Yi, Wong Chapter 2 (17) Discussion questions. Please answer all of the questions. a. Name two principal types of cost accounting systems. Two types of cost accounting systems are process cost systems and job order cost system.

b. Which system provides for a separate record of each particular quantity of product that passes through the factory? Job order systems provides for a separate record of each particular quantity of product that passes through the factory. c. Which system accumulates the costs for each department or process within the factory? Process cost systems accumulates the costs for each department or process within the factory.

————— What kind of firm would use a job order cost system? Firms that manufacture custom goods to fill special orders from customers and many service firms also use job order cost system. ————— Hewlett-Packard Company assembles ink jet printers in which a high volume of standardized units are assembled and tested.

Is the job order cost system appropriate in this situation? No, the process cost systems is best suited for manufacturers units of product that are not distinguishable from each other during a continuous production process. In this case, Hewlett-Packard Company assembles ink jet printers in high volume and in standardized units, process cost system should be the system be used. ————— Which account is used in the job order cost system to accumulate direct materials, direct labor, and factory overhead applied to production costs for individual jobs? Product costs account. ————— Discuss how the

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predetermined factory overhead rate can be used in job order cost accounting to assist management in pricing jobs. The predetermined factory overhead rate is to ensure timely information. Timely reporting can management make needed adjustments in pricing or in manufacturing methods and achieve the best possible combination of revenue and cost on future job. ----- a.

How is a predetermined factory overhead rate calculated? Predetermined factory overhead rate = Estimated Total Factory Overhead Costs Estimated Activity Base b. Name three common bases used in calculating the rate. 1.) Direct labor costs 2.) Direct labor hours 3.) Direct materials costs

----- a. What is (1) overapplied factory overhead and (2) underapplied factory overhead? 1.) Overapplied factory overhead means the applied exceeds the actual costs incurred, the factory overhead account will have a credit balance.

2. Underapplied factory overhead means the amount applied is less than the actual costs incurred, the account will have a debit balance. b. If the factory overhead account has a debit balance, was factory overhead underapplied or overapplied? Underapplied. c. If the factory overhead account has a credit balance at the end of the first month of the fiscal year, where will the amount of this balance be reported on the interim balance sheet? The amount of this balance will be recorded at the cost of goods sold account.

----- At the end of the fiscal year, there was a relatively minor balance in the factory overhead account. What procedure can be used for disposing of the balance in the account? One

approach for disposing of the balance of factory overhead at the end of the year is to transfer the entire balance of the cost of goods sold account.
