

Discuss the behavioral issues involved in merit inc.'s standard cost dilemma

[Finance](#)



Behavioural issues at merit Inc. of Affiliation Standard costing refers to an accounting system that collects, evaluates and reports actual costs, which leads to a far reaching implicit assumption through all the financial period. Standard cost is an estimated cost for a single unit of output. This essay seeks to examine the behavioural issues relative to the Merit Inc.'s standard cost of dilemma.

Behavioural issues that arise from the use of the standard cost system in the merit Inc. include lack of motivation for both the employees and managers to work towards attaining the set goals. In the case of the employees the system does not offer a platform for the employees to work competitively in a bid to produce quality products, instead the system has offered an ideal situation which does not give allowance for errors in the processes and defects relative to the material usage. This has contributed to low productivity which is attributed to low morale level for work. On the other hand, the system has offered an ideal situation that has made it hard for the managers to achieve any set goal. This has led to a considerable decline of the manager's motivation.

In the case of the three responses from the plant manager, controller and human resources director, it is generally observable that the standard cost system provided an ideal situation which left the company not able to progress. In the case of the plant manager's response the organization is suffering since all the operations are done in an ideal business milieu which does not reflect the efforts of the employees thus killing their morale. This aspect has seen the organization's productivity decline considerably. The advantage of this response is that the management understands well that,

there is need of the standard system change to one that will be based on the expected actual prices and previous efficiency averages. This approach is advantageous since it will enhance identification of the variance relative to the level of improvement. In essence, this approach will enhance the employees' morale for better results. In the case of the controller's response the organizational milieu is reflected as one operating in an ideal milieu, which is not profitable and achievable when measuring performance against an absolute standard. The advantage of this response is that offers an insight that the organization need to change tactic on nature of the cost standard. In this case the cost standards should be measured to par relative to a golf course. This will enable the management to evaluate variances based on the nature of the situations that yield these variances. The disadvantage attributed to this approach involves the uncertainty of specificity relative to the performance occurrence, and this will leave the duty performed by a system to the top management who need to fair to give a desirable opinion or outcome. On the other hand, the case of the human resource manager offers an insight of the manner in which the current standard system offers a target that is unreachable. The response is critical since it suggests that, the managers should be given a set of goals that can be attained under normal circumstances through hard work. The disadvantage of the response is that without hard work the set goals might not be achieved.

Opinion

The management should embrace the Total Quality Management (TQM) to ensure that there is an ongoing and consistent endeavour by the system and

organization's functions to establish new approaches in a bid to improve the quality of the company's products.