

# [Accounting project](https://assignbuster.com/accounting-project/)

[Finance](https://assignbuster.com/essay-subjects/finance/)

Due Direct labor hours Direct labor accounts for the number of hours it takes employees to manufacture a finished product. It various from one production run, number of employees and their efficiency. Payroll taxes and fringe benefits also add onto the total costs. From the graph, the direct labor hours and total costs have a positive relationship since the coefficient of X is a positive value (+0. 31419). However, the relationship is fair since R2 is between 0. 25 and 0. 75. Ostensibly, direct labor hours as a method of allocating costs indicates that total costs and labor hours vary significantly (Nobles et al., 152).
Machine hours vs. total costs
Machine rate is the summation of fixed, operating, and labor costs. The costs of operating the machines and the labor utilized in the production runs keep on fluctuating (Nobles et al., 162). The relationship between machine hours and total costs is positive since the coefficient of X is a positive value (+0. 0173). However, the relationship is weak since the value of R2 is 0. 24642 that is evidently between 0. 0 and 0. 25. The costs of running the machines are +0. 0173 (number of machine hours) and a fixed cost of +2747. 7. As the number of machine hors increases, total costs increase due to additional costs such as maintenance and depreciation expenses.
Number of units produced
In production, total cost is a summation of marginal costs and fixed cost. Normally, total costs increase as more units are produced up to a certain point where maximum productivity is attained (Nobles et al., 96). Total costs and units produced have a have a positive relationship (coefficient of X is +0. 0178). The relationship is fair since the value of R2 is +0. 33713. Total costs and units produced vary in most cases due to changes in efficiency of machines and factory overheads.
Work cited
Nobles, Tracie L, Brenda Mattison, Ella M. Matsumura, and Charles T. Horngren. Horngrens Financial & Managerial Accounting. N. p., 2014. Print.