Unit 1 Assignment – Managerial Accounting Schedules

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A schedule of manufacturing costs of Paisley Industries was created for management to allow analysis of the business whereby to plan and control income and expenses with an end goal of growing the business. Costs were categorized based on function. Those functions being manufacturing costs, expenses for making materials in to finished products, and non-manufacturing costs, other expenses not related to the direct manufacturing process of the finished good.

The first portion of the schedule consist of manufacturing costs that is composed of direct materials, direct labor, and factory overhead.

At the end of year of 2018, Paisley Industries, began the year with a balance of $320,000 in raw materials available for production. A total of $301,000 what place in production leaving a ending balance of $19,000 of raw materials in inventory. With a sunk cost of $19,000 in raw materials, the upcoming year’s purchase of raw materials should be $19,000 less.

Beginning 2018 work in progress inventory is valued at $1,645,000. Adding the $2,556,000 current period of manufacturing costs, which is the sum total of direct materials, direct labor, and manufacturing overhead, brought the total cost of work in progress to $4,201,000. Work in progress ending balance was almost equal to the beginning work in progress. The company could save money by cutting back in manufacturing and direct materials.

There was a beginning balance of $1,225,000 in finished good inventory. Paisley Industries added and additional $4,201,000 manufactured cost. A total of $5,426,000 goods was available for sale. As with the 2018 Schedule of Cost Goods Manufactured. The Schedule of cost goods sold inventory ending balance was also almost equal to the beginning balance. The ending balance was $1,045,000. It appears that unnecessary cost is being generated there as well thus costing the business money.

Throughout the schedules, we have discovered unnecessary expeses where beginning and ending balances practically remained the same. This demonstrates a waste of resources. In Paisley Industries’ Income Statement, what is seen throughout the schedules is confirmed. Cost of goods sold is $4,381,000. Company sales total $3,790,000. It is costing more to produce the finished products then the price points at which the company sells. The company is falling short of breaking even buy -$591,000. If the company continues to operate in this fashion, it will continue to loss money and, at some point, come to a close. To sell at a lower price than which it costs to manufacture goods alerts us that our pricing scheme needs to be reevaluated.

Based on the Theory of Constraints in which we have a limited amount of resources, therefore we don’t want to waste them, the Schedules has allowed us to identify and areas were waste of resources is being exhibited. The first instance of waste appears in the Schedule of Raw Materials Placed in Production. Beginning balance was $25,000 and ending balance was only $6,000 less at $19,000. Raw material expenses need to be decreased. We are apparently purchasing more raw material than we need at a given time. Continuing with the quantitative analysis of the schedules, there is one expense that stands out over all others: Manufacturing Overhead. Located in the Schedule of Cost of Goods Manufactured, Manufacturing Overhead standouts at $1,885,000. A review of those overheads cost is well in order and needs to be decreased.

References:

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