1. Why is it important that Superior has an effective cost system?

It is important for SUperior to have an effective cost system because effective cost systems make it possible for the management to follow their processes and have a realistic understanding of the difference between what is actually happening compared to what was planned. It helps to plan activities and further the course of action. Superior Manufacturing CO. They have recently had a change of management. In two consecutive years, two different managers have taken the lead of the company. This shift causes the market to be more complicated and the morale and/or support of employees has declined. Therefore, a good cost system is important as it can show the new management the way operations are lead historically and the position the company has marked to its competitors and on the market presently. An effective cost system would also shorten the period of adaptation of the new management. Also, due to the rigid and competitive market they are a part of, an effective cost system would allow for possibilities of identifying how/ where to lower costs and chose alternatives as well as see and manage the distribution of costs (manage expenses).

1. What is your overall appraisal of the company’s cost system and its use in reports to management?

Personally, I do not believe the reports or the company’s cost system to be specific enough. In the strict market they are in they need to keep their competitive edge by keeping costs low and their current system does not break down costs enough for management to know how/what decisions to make in order to lower or keep costs low. It is important ot analyze which costs are necessary for each individual product. There should also be a report and analysis of the overall growth of the company.

1. List the strengths and weaknesses of this system and its related reports for the purposes management uses the system’s output.

Strengths:

* Provides favorable and unfavorable costing relating to the company’s development of respective product's
* As it anticipated with the actual cost of last year’s product selling price if all other subjects remain the same.

Weaknesses:

* Ignored the facts and risks that have continued over the years
* It standardized finished goods were analyzed for further prediction, but the difference between products is ignored
* Unfavorable variance among standardized and actual costs can differ and would set a higher cost.

1. What recommendations, if any, would you make to Waters regarding the company’s cost accounting system and its related reports?

I would recommend looking closer to the specific costs that each of their products is incurring and incorporate this into their current cost system. I would also recommend that leadership/management and those who understand the cost accounting system meet together to discuss the cost system so that all parties understand it and how to use it. Management with its many recent changes needs to understand the cost system in order to use that data correctly. Like in the decision whether or not to keep product 103.