



TODO: Generate a Book ToC here

Understanding and Exploring

A large, dark blue rectangular background image showing a star-filled night sky with the Milky Way visible. In the lower right foreground, there is a dark silhouette of a multi-story building. On the left side, there is a smaller, semi-transparent image of a laptop on a desk with some office supplies like a mug and a small plant.

1

Clarifying: Your Entrepreneurial Vision

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Introduction

In 2015, Doug Monahan, CEO and Founder of iBackPack of Texas, Inc. introduced a revolutionary new technology all encased in a typical backpack. The iBackPack boasted capabilities to incorporate WiFi/MiFi, a 20,000 mAh battery system, smart power transfer cables, and a car-charging system in addition to the ability to carry four notebook computers and the related accessories. Monahan promised it would deliver a “communication hub and corresponding electrical powerhouse for students and business professionals alike.”¹

To bring the project to the marketplace, the startup initially sought crowdfunding through an Indiegogo campaign that raised \$723,395 from 4,041 backers. An additional \$76,694 was raised from 252 backers through Kickstarter. By 2017, years since its start, the iBackPack crowdfunding campaign that began with great promise failed to deliver the product promised to its investors.²³ Fast forward to 2016.⁴⁵ KC notes that this opener is 300 words.

Footnotes

- [1](http://www.prnewswire.com/news-releases/ibackpack-planning-kickstarter-launch-on-blackfriday-300183934.html) KC notes that this is the first of five endnotes in this section. All of these should collate to the end of the chapter. This should be the first one. <http://www.prnewswire.com/news-releases/ibackpack-planning-kickstarter-launch-on-blackfriday-300183934.html>
- [2](http://crowdtoolz.com/sorry-ibackpack-backers-you-got-scammed/) KC notes that this is the second of five endnotes in this section. All of these should collate to the end of the chapter. This should be the second one. <http://crowdtoolz.com/sorry-ibackpack-backers-you-got-scammed/>
- [3](http://kxan.com/2017/07/13/hundreds-still-waiting-for-bulletproof-ibackpack-delivery-a-year-later) KC notes that this is the third of five endnotes in this section. All of these should collate to the end of the chapter. This should be the third one. <http://kxan.com/2017/07/13/hundreds-still-waiting-for-bulletproof-ibackpack-delivery-a-year-later>
- [4](http://crowdtoolz.com/sorry-ibackpack-backers-you-got-scammed/) KC notes that this is the fourth of five endnotes in this section. All of these should collate to the end of the chapter. This should be the fourth one. <http://crowdtoolz.com/sorry-ibackpack-backers-you-got-scammed/>
- [5](http://kxan.com/2017/07/13/hundreds-still-waiting-for-bulletproof-ibackpack-delivery-a-year-later/) KC notes that this is the fifth of five endnotes in this section. All of these should collate to the end of the chapter. This should be the fifth one. <http://kxan.com/2017/07/13/hundreds-still-waiting-for-bulletproof-ibackpack-delivery-a-year-later/>

1.1 Entrepreneurial Vision and Goals

The flow of costs is generally the same for all costing systems. While the differences are in the details, product costs have material, labor, and overhead. In most production facilities, the raw materials are moved from the raw materials inventory into Work in Process (WIP) inventory.

Work in Process Inventory

The WIP involves one or more production departments and is where labor and overhead convert the raw materials into finished goods. When the product is sold, the costs move from Finished Goods Inventory into Cost of Goods Sold. [Figure 1.20](#) illustrates the flow of costs through production.



Figure 1.2

There are different cost accounting systems and each system must be capable of accumulating the costs incurred and allocating the costs to the product. The best system to use depends on the product being manufactured. Each costing system also requires the ability to obtain and analyze the cost data and the more detailed the information needed, the higher the cost of collecting the data.¹ The system used and the cost of collecting the data should not be greater than the benefit from having that information.

When products are custom ordered, knowing the cost of the material, labor, and overhead inputs is critical in determining the sales price. When products are mass produced and one batch leads to a second batch, stopping the process to properly identify the material, labor, and overhead costs used for each batch does not provide enough valuable data valuable to justify individual costing of each product. So different costing systems are used to determine the cost of the custom products and mass produced products.

Even retail companies need to know the cost of the purchased products before the sales price is set. While it seems simple to think of the sales price as the purchase price plus a markup; determining the markup costs needs to be an accurate process in order to ensure the sale price is higher than the cost of the product.

Costing Systems

To properly capture the information necessary for decision making; there are different costing systems to *track* costs in order to determine sales prices and measure profits and manufacturing efficiency.

There are two traditional types of costing systems: job order costing, and process costing used to anticipate or determine before year-end unit costs of products being manufactured and/or services being provided. Companies may decide to use only one or a combination of methods for their production costing. This chapter will explain job order costing and how it differs from process costing. Activity-based, variable, and absorption costing will be discussed in later chapters.

In this chapter, you will learn the similarities and differences of job order and process costing systems. You will also learn the terminology used in tracking costs within these two systems, and how to segregate and aggregate these costs to determine the costs of production in a job order costing environment. You will also learn how to record these job costs and where they appear on the financial statements.

Job order costing (JOC) is used when individual products can be separately identified or when goods are made to order. The individual costs are easy to trace to the individual jobs and works well for companies such as: print service companies, advertising companies, building contractors, accounting services, consulting services, repair services, or movie production companies.

Process costing is used when the manufacturing process is continuous, and it is difficult to establish how much of each material was used and exactly how much time was invested in each unit of finished product. With the process costing (PC) method, costs are accounted for by process or department and where it is difficult, if not impossible or not cost effective, to accurately measure the exact materials and labor in each individual product. This process works well for manufacturers of products such as golf balls, cereal, ice cream, gasoline, or paint. Process costing can also be used in the manufacturing of more complex items such as small engines, so it's not limited to basic manufacturing activities. A PC system assigns costs to each department as the costs are incurred. The costs to produce one unit are calculated based on the information in the production departments.

WORK IT OUT



Transactions at Debbie's Dairy Farm

Debbie's Dairy Farm had the following transactions.

- A. Debbie ordered shelving worth \$750.
- B. Debbie's selling price on a gallon of milk is \$3.00. She finds out that most local stores are charging \$3.50. Based on this information, she decides to increase her price to \$3.25. She has an employee put a new price sticker on each gallon.
- C. A customer buys a gallon of milk paying cash.
- D. The shelving is delivered with an invoice for \$750.

Which events will be recorded in the accounting system?

- A. Debbie did not yet receive the shelving, it has only been ordered, so there is no asset yet. She also does not have a liability yet because she has not received the asset yet. Therefore, Debbie will not record the transaction.
- B. Changing prices does not have an impact on the company at the time the price is changed. All that happened was that a new price sticker was placed on the milk. Debbie still has all of the milk and has not received any money.
- C. Debbie now has a transaction to record. She has received cash and the customer has taken some of her inventory of milk. We have an increase in one asset (cash) and a decrease in another asset (inventory.)
- D. The asset has been delivered so Debbie has a new asset and must record the increase. She also has an increase in her liabilities as she accepted delivery of the shelving but has not paid for it.

Gains are similar to revenues in that both gains and revenues increase the value of the organization. The primary difference, however, between gains and revenues relates to the primary purpose of the organization. As an example, let's return to the local coffee shop that you have been thinking about. You have already identified the activities that are considered revenues. Let's say the coffee shop sells for cash the current espresso machine in order to purchase a new one. Let's further assume the coffee shop sold the espresso machine for *more* (highly unlikely) than it paid for the machine. Would the coffee shop be more valuable after this transaction than before it? Yes it would, because the coffee shop has more cash than it lost in value from the sale of the espresso machine. But how should the accountant classify this transaction? To call this revenue would technically be inaccurate because we know revenues are inflows related to the primary purpose of the business. In this case, revenues for the coffee shop relate to selling coffee and related items such as pastries and smoothies. In this transaction, the coffee shop receives cash so it is more valuable, but this should be considered a gain because the coffee shop was more valuable due to this incidental or peripheral transaction.

ARE YOU READY



Borrowing Money

When money is borrowed from a bank or other lending institution, the loan is considered a personal or consumer loan. Typically, payments on these types of loans begin shortly after the funds are borrowed. Student loans are a special type of consumer borrowing that has a different structure for repayment of the debt. If you are not familiar with the special repayment arrangement for student loans, do a brief internet search to find out when student loan payments are expected to begin.

Now, assume a college student has two loans—one for a car and one for a student loan. Assume the person gets the flu, misses a week of work at their campus job, and does not get paid for the absence. Which loan would the person be most concerned about paying? Why?

Losses are similar to expenses in that both losses and expenses decrease the value of the organization. The primary difference, however, between losses and expenses again relates to the primary purpose of the organization. While expenses represent a decrease in organizational value from providing goods and services, losses represent a decrease in organizational value from activities that are “*incidental or peripheral*” (SFAC No. 6, p. 24) to the primary purpose of the business. Let’s return to our local coffee shop example. Now assume the coffee shop sold the espresso machine for less (a more likely scenario) than it paid for the machine. Would the coffee shop be less valuable after this transaction than before it? Yes it would, because the value of the coffee shop decreased by an amount greater than the cash it received. But how should the accountant classify this transaction?

WHAT CAN YOU DO



Company Trading and the SEC

On September 1, 2017, Roku filed a Form S-1 with the Securities and Exchange Commission (SEC)(<https://www.sec.gov/Archives/edgar/data/1428439/000119312517275689/d403225ds1.htm>). In this form, Roku disclosed its intention to become a “publicly-traded company,” meaning its stock will trade (sell) on public stock exchanges, allowing individual and institutional investors an opportunity to own a portion (shares) of the company. The Form S-1 included detailed financial and non-financial information about the company. The information from Roku also included the purpose of the offering as well as the intended uses of the funds. Here is a portion of the disclosure: “The principal purposes of this offering are to increase our capitalization and financial flexibility and create a public market for our Class A common stock. We intend to use the net proceeds from this offering primarily for general corporate purposes, including working capital, research and development, business development, sales and marketing activities and capital expenditures” On September 28, 2017, Roku “went public” and exceeded expectations. Prior to the IPO, Roku estimated it would sell between \$12-\$14 per share, raising over \$117 million for the company. The closing price per share on September 28 was \$23.50, nearly doubling initial expectations for the share value (<https://finance.yahoo.com/quote/ROKU/history?p=ROKU>).

KC notes that this paragraph has a few index term functionalities, such as not including the full term to reduce duplicate entries for singular and plural terms. Consider print services and advertising. Mac's and Cheese is a local restaurant and wants a special sign on an already constructed billboard outside a stadium. Since it wants that sign targeted to stadium customers, the company would want a sign built specifically for that site. Dinosaur Vinyl, Inc. is the sign manufacturer and would use Job Order Costing to account for the manufacturing costs of the sign. Now imagine Mac's & Cheese also wanting to create flyers to place on cars in the stadium during each game. Other times they want to test an index term without every letter so that stadiums appears singular in the index. Those flyers are identical to each other and produced in large batches and by a company that uses process costing.

Basic Managerial Accounting Terms Used in JOC and PC

Manufacturing companies have many similarities regardless of the costing method used, among them is the organizational chart and the flow of goods through production. The diagram in [Figure 1.20](#) below shows a partial organizational chart for Dinosaur Vinyl, a sign manufacturer. The CEO has several direct report units: Financing, Production, Information Technology, Marketing, Human Resources, and Maintenance. Each unit has a director responsible for several departments. The organizational chart also shows the departments that report to the production unit director and gives an indication as to the production arrangement. Raw materials are stored in the materials storeroom and delivered to the production department. The design department uses direct labor to create the design specifications and

when completed, sends them to the production department. The production department uses the material and design specifications and adds even more labor to create the sign. The sign is transferred to the Finishing Department for final materials and labor before the sign is installed or delivered to the customer.

Dear Visitor,

Your opinion is important to us.

We would like to invite you to participate in a short survey to gather your opinions and feedback on your news consumption habits.

The survey will take approximately 10-15 minutes.
Simply click the "Yes" button below to launch the survey.

Would you like to participate?

YES

NO

Figure 1.3 This illustration lays out a common structure of the organization chart for DV.

The different units within DV, Inc. illustrate the two main cost categories of a manufacturing company. These two main categories are manufacturing costs versus selling and administrative costs.

Manufacturing Costs

Manufacturing costs are also called *product* costs and include all the expenses used to manufacture the product: direct materials, direct labor, and manufacturing overhead. The total of these costs becomes the cost of ending inventory and later becomes the cost of goods sold when the product is sold.

It is important to separate out the product costs from the period costs and it is important to separate out the product costs themselves. The product costs are direct materials, direct labor, and manufacturing overhead. Management sometimes needs additional information to make decisions and needs the costs categorized as prime costs or conversion costs. Prime costs and conversion costs are not included together as direct labor is included in both categories.

Job order costing systems assign the costs directly to the product by assigning direct material and direct labor to the work in progress inventory. Overhead is also a cost of production and applied to each product based on an activity base discussed later in the chapter. The assignment of direct material and direct labor to each production unit illustrates the job order costing system's focus on prime costs. While process costing assigns costs to the department and focuses on conversion costs.

Selling and Administrative Costs

Selling and administrative (S&A) costs are the category of expenses that are expensed as incurred. The Selling costs are the expenses related to promotion and sale of the company's products and the administrative costs are the expenses related to the operations of the company. The S&A costs are also called period costs because they include costs of departments not directly associated with manufacturing but necessary to operate the business. The organizational chart [Figure 1.20](#) shown above illustrates examples of S&A expenses include marketing costs, administration building rent, the CEO's salary expense, and the accounting, payroll and data processing department expenses.

ENTREPRENEUR IN ACTION



Investments by Owners

There are basically two ways in which organizations become *more* valuable: profitable operations (when Revenues exceed Expenses) and investments by owners. Organizations often have long-term goals/projects that are very expensive (for example, to build a new manufacturing facility or to purchase another company). KC notes that this feature box has a figure, an image, a table, display math, inline math ($100 \text{ dogs} \times 100 \text{ dogs} = 4768 \text{ fights}$), an index term, a footnote¹, a link to a figure, and a link to an external URL (visit <https://www.openstax.org>). This should cover pretty much all the feature box functionality noted in the nesting doc.

$$100 \text{ dogs} \times 100 \text{ dogs} = 4768 \text{ fights}$$

While having profitable operations is a viable way to “fund” these goals/projects, organizations often want to undertake these projects on a quick timeframe. Selling ownership is one way to quickly obtain the funding necessary for these goals—in exchange for a cash investment the investor is given an ownership interest in the organization, as shown in [Figure 1.20](#).

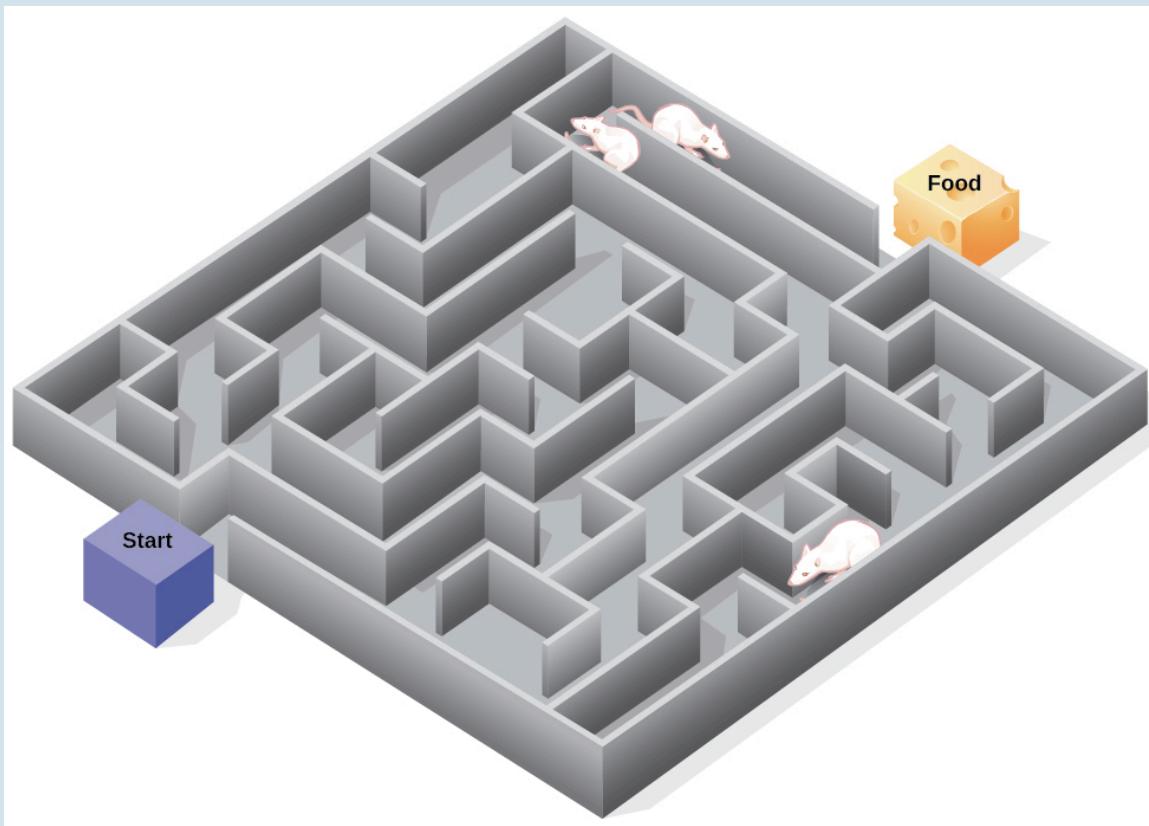


Figure 1.4 This caption tells how great this figure is.

This is a mutually-beneficial arrangement: the organization gets the funding it needs on a timely basis and the investor gets an ownership interest in the organization.

This is a mutually-beneficial arrangement: the organization gets the funding it needs on a timely basis and the investor gets an ownership interest in the organization as shown in [\[link\]](#).

Cheeses	Apple Varieties	Accounting Terms	Cost or Revenue	Actual Value
Sharp cheddar	Fireside	Variable-absorption costing method	Cost	\$1,491.82
Smoked gouda	Janagold	Sarbanes-Oxley regulations	Cost	\$17.01
Mozzarella	Goldden delicious	Securities and Exchange Commission	Revenue	\$34,105.11
Romano	McIntosh	Journal and ledger entries	Cost	\$125.00

Table 1.1 This Is a Table Nested inside of a Feature Box KC notes that the cells in the right column need to align right in order for the dollar amounts to show up correctly; hence we have set them up this way. We would control this in XML markup.

This is a mutually-beneficial arrangement: the organization gets the funding it needs on a timely basis and the investor gets an ownership interest in the organization.

Let's continue our exploration of the accounting equation, focusing on the equity component, in particular. Recall that we defined equity as the net worth of an organization. It is helpful to also think of net worth as the *value* of the organization. Recall, too, that revenues (inflows as a result of providing goods and services) *increase* the value of the organization. So, every dollar of revenue an organization generates increases the overall value of the organization. Likewise, expenses (outflows as a result of generating revenue) *decrease* the value of the organization. So, each dollar of expenses an organization incurs decreases the overall value of the organization. The same approach can be taken with the other elements of the financial statement.

When money is borrowed from a bank or other lending institution, the loan is considered a personal or consumer loan. Typically, payments on these types of loans begin shortly after the funds are borrowed. Student loans are a special type of consumer borrowing that has a different structure for repayment of the debt. If you are not familiar with the special repayment arrangement for student loans, do a brief internet search to find out when student loan payments are expected to begin.

Now, assume a college student has two loans—one for a car and one for a student loan. Assume the person gets the flu, misses a week of work at their campus job, and does not get paid for the absence. Which loan would the person be most concerned about paying? Why?

If you review the list of the elements of the financial statements that we have examined thus far, you might notice that each of the elements is fairly controllable by the organization. For instance, if the organization wants to increase revenue, it might create a special advertising campaign to incentivize customers to purchase its goods and services. Likewise, the organization can decide the optimal level of assets required to efficiently and effectively operate the business and make adjustments accordingly.

A primary reason for separating the costs of production from the other expenses of the company is the expense recognition principle. This principle requires the costs to be expensed when they match the revenue being earned; and separating the costs of production from the other costs results in the proper timing recognition of expenses. Period costs are expensed during the period in which they are incurred and this policy matches administrative and other expenses shown on the income statement in the same period in which the company earns income. Separating the production costs and assigning them to the product results in the costs of the product staying with the inventory. If the products are not sold, the costs remain in ending inventory. When the products are sold, the cost of the inventory becomes the cost of goods sold and is expensed on the income statement.

Let's Make Some Lists

Here is a bulleted list:

- Here is the first bulleted item.
- Here is the second bulleted item. It is much longer so we can see what happens when items in the list need to wrap onto a second or even a third or even a fourth line.
- Here is the third bulleted item in the list.

Now the list is complete and we can move onto talking more about accounting and how useful and important this topic is for college students.

Here is a numeric list:

1. Here is the first numbered item.
2. Here is the second numbered item. It is much longer so we can see what happens when items in the list need to wrap onto a second or even a third or even a fourth line.
3. Here is the third numbered item in the list.

Now the list is complete and we can move onto talking more about accounting and how useful and important this topic is for college students.

Here is an alphabetical list:

- A. Here is the first alphabetical item.
- B. Here is the second alphabetical item. It is much longer so we can see what happens when items in the list need to wrap onto a second or even a third or even a fourth line.
- C. Here is the third alphabetical item in the list.

Now the list is complete and we can move onto talking more about accounting and how useful and important this topic is for college students.

Here is a numeric-alphabetical list:

1. Here is the first numbered item.
2. Here is the second numbered item. It is much longer so we can see what happens when items in the list need to wrap onto a second or even a third or even a fourth line.
 - A. Here is the first alpha item.
 - B. Here is the second alpha item. It is much longer so we can see what happens when items in the list need to wrap onto a second or even a third or even a fourth line.
 - C. Here is the third alpha item in the list.
3. Here is the third numbered item in the list.

Now the list is complete and we can move onto talking more about accounting and how useful and important this topic is for college students.

Here is an alphabetical-numeric list:

- A. Here is the first alphabetical item.
- B. Here is the second alphabetical item. It is much longer so we can see what happens when items in the list need to wrap onto a second or even a third or even a fourth line.
 1. Here is the first numbered item.
 2. Here is the second numbered item. It is much longer so we can see what happens when items in the list need to wrap onto a second or even a third or even a fourth line.
 3. Here is the third numbered item in the list.
- C. Here is the third alphabetical item in the list.

Now the list is complete and we can move onto talking more about accounting and how useful and important this topic is for college students.

Let's Make the Same Lists but This Time Let's Put Them inside of Tables

Here is a bulleted list in a table:

Column Left Header	Column Right Header
<ul style="list-style-type: none">• Here is the first bulleted item.²	<ul style="list-style-type: none">• Here is the first bulleted item.
<ul style="list-style-type: none">• Here is the second bulleted item. It is much longer so we can see what happens when items in the list need to wrap onto a second or even a third or even a fourth line.	<ul style="list-style-type: none">• Here is the second bulleted item. It is much longer so we can see what happens when items in the list need to wrap onto a second or even a third or even a fourth line.
<ul style="list-style-type: none">• Here is the third bulleted item in the list.	<ul style="list-style-type: none">• Here is the third bulleted item in the list.²

Table 1.2 This Is a Bulleted List inside of a Table Here is some generic table caption content.

Now the list is complete and we can move onto talking more about accounting and how useful and important this topic is for college

students.

Here is a numeric list in a table:

Column Left Header	Column Right Header
1. Here is the first numbered item.	1. Here is the first numbered item.
2. Here is the second numbered item. It is much longer so we can see what happens when items in the list need to wrap onto a second or even a third or even a fourth line.	2. Here is the second numbered item. It is much longer so we can see what happens when items in the list need to wrap onto a second or even a third or even a fourth line.
3. Here is the third numbered item in the list.	3. Here is the third numbered item in the list.

Table 1.3 This Is a Numeric List inside of a Table Here is some generic table caption content.

Now the list is complete and we can move onto talking more about accounting and how useful and important this topic is for college students.

Here is an alphabetical list in a table:

Column Left Header	Column Right Header
A. Here is the first alpha item.	A. Here is the first alpha item.
B. Here is the second alpha item. It is much longer so we can see what happens when items in the list need to wrap onto a second or even a third or even a fourth line.	B. Here is the second alpha item. It is much longer so we can see what happens when items in the list need to wrap onto a second or even a third or even a fourth line.
C. Here is the third alpha item in the list.	C. Here is the third alpha item in the list.

Table 1.4 This Is an Alphabetical List inside of a Table Here is some generic table caption content.

Now the list is complete and we can move onto talking more about accounting and how useful and important this topic is for college students.

Here is a numeric-alphabetical list in a table:

Column Left Header	Column Right Header
1. Here is the first numbered item.	1. Here is the first numbered item.
2. Here is the second numbered item. It is much	2. Here is the second numbered item. It is much

Table 1.5 This Is a Numeric-Alpha multi-layered List inside of a Table Here is some generic table caption content.

Column Left Header	Column Right Header
<p>longer so we can see what happens when items in the list need to wrap onto a second or even a third or even a fourth line.</p> <ul style="list-style-type: none"> A. Here is the first alpha item. B. Here is the second alpha item. It is much longer so we can see what happens when items in the list need to wrap onto a second or even a third or even a fourth line. C. Here is the third alpha item in the list. 	<p>longer so we can see what happens when items in the list need to wrap onto a second or even a third or even a fourth line.</p>
<p>3. Here is the third numbered item in the list.</p>	<p>3. Here is the third numbered item in the list.</p>

Table 1.5This Is a Numeric-Alpha multi-layered List inside of a Table Here is some generic table caption content.

Now the list is complete and we can move onto talking more about accounting and how useful and important this topic is for college students.

Here is an alphabetical-numeric list in a table:

Column Left Header	Column Right Header
<p>A. Here is the first alpha item.</p>	<p>A. Here is the first alpha item.</p>
<p>B. Here is the second alpha item. It is much longer so we can see what happens when items in the list need to wrap onto a second or even a third or even a fourth line.</p> <ul style="list-style-type: none"> 1. Here is the first numbered item. 2. Here is the second numbered item. It is much longer so we can see what happens when items in the list need to wrap onto a second or even a third or even a fourth line. 3. Here is the third numbered item in the list. 	<p>B. Here is the second alpha item. It is much longer so we can see what happens when items in the list need to wrap onto a second or even a third or even a fourth line.</p>
<p>C. Here is the third alpha item in the list.</p>	<p>C. Here is the third alpha item in the list.</p>

Table 1.6This Is a Alpha-Numeric multi-layered List inside of a Table Here is some generic table caption content.

Now the list is complete and we can move onto talking more about accounting and how useful and important this topic is for college students.

Here is one with multiple bullets within rows.

Column Left Header	Column Right Header
A. Here is the first alpha item.	A. Here is the first alpha item.
B. Here is the second alpha item. It is much longer so we can see what happens when items in the list need to wrap onto a second or even a third or even a fourth line. <ol style="list-style-type: none"> 1. Here is the first numbered item. 2. Here is the second numbered item. It is much longer so we can see what happens when items in the list need to wrap onto a second or even a third or even a fourth line. 3. Here is the third numbered item in the list. 	<ul style="list-style-type: none"> • Bullet • Bullet that runs long and probably sends the content down to another line <ul style="list-style-type: none"> ◦ Sub-level of bullet ◦ Sub-level of bullet that is longer and probably would wrap down to another line • Main bullet level again
C. Here is the third alpha item in the list.	B. Here is the third alpha item in the list.

Table 1.7 This Is a Table with Bullet Lists of More Than One Line within Rows, then Alpha-Numeric and vice versa the SameHere is some generic table caption content.

Major Characteristics of JOC

JOC is the optimal costing method for producing custom goods or when it is easy to identify the cost directly with the product. A JOC system assigns costs to each individual job as the costs are incurred. At all points in the manufacturing process, the costs assigned to that particular job are known.

Communication through Reporting	Financial Accounting	Managerial Accounting
Users of reports	External users: stockholders, creditors, regulators.	Internal users: managers, officers, and other employees.
Types of Reports	Financial statements: Balance sheet, Income statement, Cash-Flow statement, etc.	Internal reports: Job Cost Sheet, Cost of Goods Manufactured, Production Cost Report, etc.
Frequency of reports	Quarterly; annually	As frequently as needed
Purpose of reports	Helps those external users make decisions: credit terms, investment and other decisions.	Assists the internal users in the planning and control decision making process.
Focus of reports	Pertains to company as a whole. Uses GAAP structure. Composed from a multitude or combination of other	Pertains to departments, sections of the business. Very detailed reporting. No

Table 1.8 Financial Accounting versus Managerial Accounting set in Default Table StyleThis table is set as the “Default Style” table from the basic table types being used for the non-accounting books in the business series, as outlined in the document “Business (no Accounting) Table Styles Specs” from OSX.

Communication through Reporting	Financial Accounting	Managerial Accounting
	more individual data.	GAAP constraints.
Nature of reports	Monetary	Monetary and nonmonetary information
Verification of reports	Audited by CPA	No independent audits

Table 1.8 Financial Accounting versus Managerial Accounting set in Default Table Style This table is set as the “Default Style” table from the basic table types being used for the non-accounting books in the business series, as outlined in the document “Business (no Accounting) Table Styles Specs” from OSX.

In spite of your best efforts, you may have trouble putting your entrepreneurial vision on paper. This is normal, especially in the early stages of the process. You may want to start with an outline, and then fill in the details later. Or set aside a short time each day that you can spend on this task, so you train your mind to think about the vision you are setting for yourself. If you experience a mental block, try changing your environment – go outside, try a different time of day or go to a setting that is like the business you are interested in creating. Each of these strategies can help you get the creative juices flowing. You might also consider talking with someone who has experience in the field, to give you pointers and suggestions. Or better yet, find a mentor in your chosen area of interest, and keep this person apprised of your progress. Having someone to bounce ideas off of is a great asset to have when imagining the possibilities of the future.

Communication through Reporting	Financial Accounting	Managerial Accounting
Users of reports	External users: stockholders, creditors, regulators.	Internal users: managers, officers, and other employees.
Types of Reports	Financial statements: Balance sheet, Income statement, Cash-Flow statement, etc.	Internal reports: Job Cost Sheet, Cost of Goods Manufactured, Production Cost Report, etc.
Frequency of reports	Quarterly; annually	As frequently as needed
Purpose of reports	Helps those external users make decisions: credit terms, investment and other decisions.	Assists the internal users in the planning and control decision making process.
Focus of reports	Pertains to company as a whole. Uses GAAP structure. Composed from a multitude or combination of other more individual data.	Pertains to departments, sections of the business. Very detailed reporting. No GAAP constraints.
Nature of reports	Monetary	Monetary and nonmonetary information
Verification of reports	Audited by CPA	No independent audits

Table 1.9 Financial Accounting versus Managerial Accounting set in Text-Heavy Table Style This table is set as the “Text-Heavy Style” table from the basic table types being used for the non-accounting books in the business series, as outlined in the document “Business (no Accounting) Table Styles Specs” from OSX.

Major Characteristics of PC

Process Costing is the optimal system when the production process is continuous and it is difficult to trace a particular input cost with a

specific individual product. Process costing systems assign costs to each department as the costs are incurred. The costs to produce one unit is calculated based on the information from the production departments. The focus of process costing systems is on measuring and assigning the conversion costs to the proper department so the cost of the individual units can be determined.

Comparing JOC with PC

Both job order costing and process costing track the costs of production for both physical units and service unit production and materials, labor, and overhead are components of virtually all products. The process of production doesn't change because of the costing method; the costing method is chosen based on the process of production.³

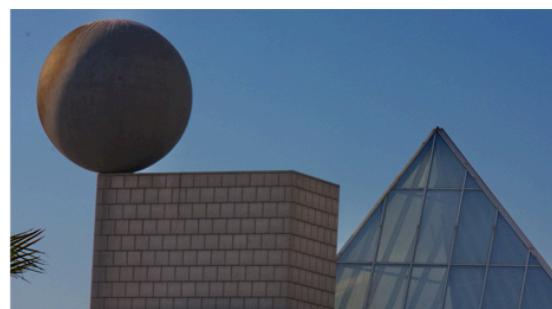
Maintaining accounting records for each system has its own tradeoffs. A JOC system needs to keep track of individual jobs and the direct material & direct labor associated with each job. Maintaining this information is costly and it is often used for the production of smaller, more individualized lots. The benefit from knowing the cost of each product is worth the additional cost to maintain that costing system.

On the other hand, PC doesn't need to expend the effort to maintain the cost for individual jobs because the jobs usually run together. The accounting emphasis is in keeping records for the individual departments and is often used for large batches or runs.

[Figure 1.20](#) illustrates some of the differences between Job Order Cost Systems and Process Cost Systems.



(a)



(b)

[Figure 1.5](#) Table showing the differences between Job Order Costing⁴ and Process Costing.

LINK TO LEARNING

KC notes that this feature tests index terms in a feature. Dynamic Systems provides bar code traceable software and helps companies track the costs associated with production. Not understanding [the difference between job order cost systems and process cost systems](#) is common as customers often ask if their job order cost software is also the process cost software.

Footnotes

- [1](#) A footnote. Let's make this one long so we can see how it aligns if it wraps down a line. Let's make this one long so we can see how it aligns if it wraps down a line. Let's make this one long so we can see how it aligns if it wraps down a line.
- [2](#) This is a footnote. It should appear on the page. It derives from inside a table.

1.2 Designing Your Entrepreneurial Vision and Goals

Generally there are three categories of costs included in the manufacturing processes: direct materials, direct labor, and overhead. This is only a generalization since there are some service industries that do not have direct material, and there are some automated manufacturing companies that do not have direct labor.

To illustrate the components of product costs in a job order costing system, consider that Mac's & Cheese restaurant hires Dinosaur Vinyl, Inc. (DV) to manufacture the sign by the stadium. In the sign manufacturing process, materials are moved from raw materials inventory to the Production Department where the sign is printed. When printing is complete, the sign is moved to the Finishing Department where

more material is added to frame the sign before it is transferred to the Finished Goods Department. The costs are tracked and move at the same time as the actual sign. When Mac's & Cheese has completed its production contract and the sale is complete; the costs are moved to Cost of Goods Sold. KC notes that this module is testing some different art issues. Including: 6.5" wide art set in main text, features, answer, etc.; PNGs on the shaded feature box backgrounds; mixed resolution (PNGs are at 300DPI but art is lower res; actual full-length figure credits that collate to the end of the chapter.

Direct Materials

Direct materials are the materials that can be directly traced to the product. A company needs inventory on hand to help customers quickly so there is usually some inventory on hand in the raw materials inventory account. The material is sent to the production department when the material will be put into production.

A benefit of knowing the production costs for each job in a job order costing is the ability to set appropriate sales prices. This system relies on maintaining accurate records and requires an information system that supports accurate documentation. When the material is requested for production, a materials requisition slip is completed and shows the exact items and quantity requested along with the associated cost. The completed form is signed by the requestor and approved by the manager responsible for the budget.



WORK IT OUT

Testing How 300 DPI PNG Figures Appear in the “Work It Out” Feature Box

To help accountants prepare and users better understand financial statements, the profession has outlined what is referred to as elements of the financial statements. The elements define the categories or accounts the accountants should use to record transactions and prepare financial statements. When thinking of the relationship between the elements and the financial statements, we might consider a baking analogy: the elements represent the ingredients and the financial statements.

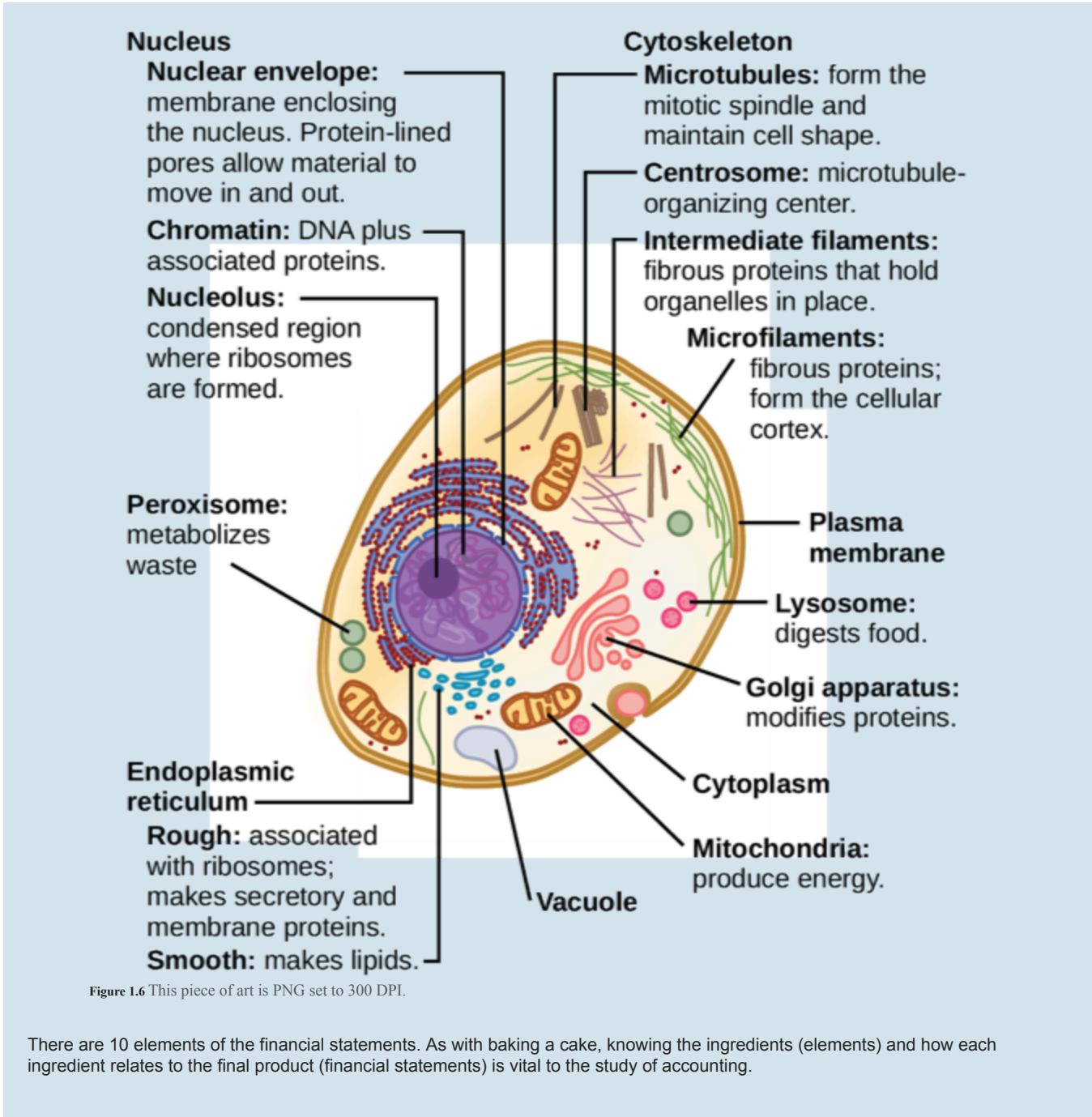


Figure 1.6 This piece of art is PNG set to 300 DPI.

There are 10 elements of the financial statements. As with baking a cake, knowing the ingredients (elements) and how each ingredient relates to the final product (financial statements) is vital to the study of accounting.

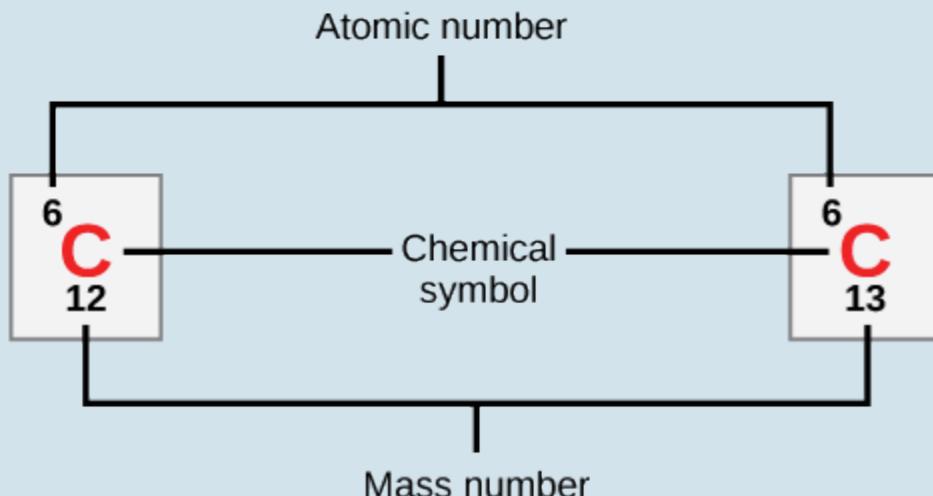


Figure 1.7 This piece of art is PNG set to 300 DPI.

The main “ingredient” for any organization is revenue. Revenue is the value of goods and services that the organization sold or provided for a given period of time. Revenue is formally defined as “inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or other activities that constitute the entity’s ongoing major or central operations” (SFAC No. 6, p. 23).

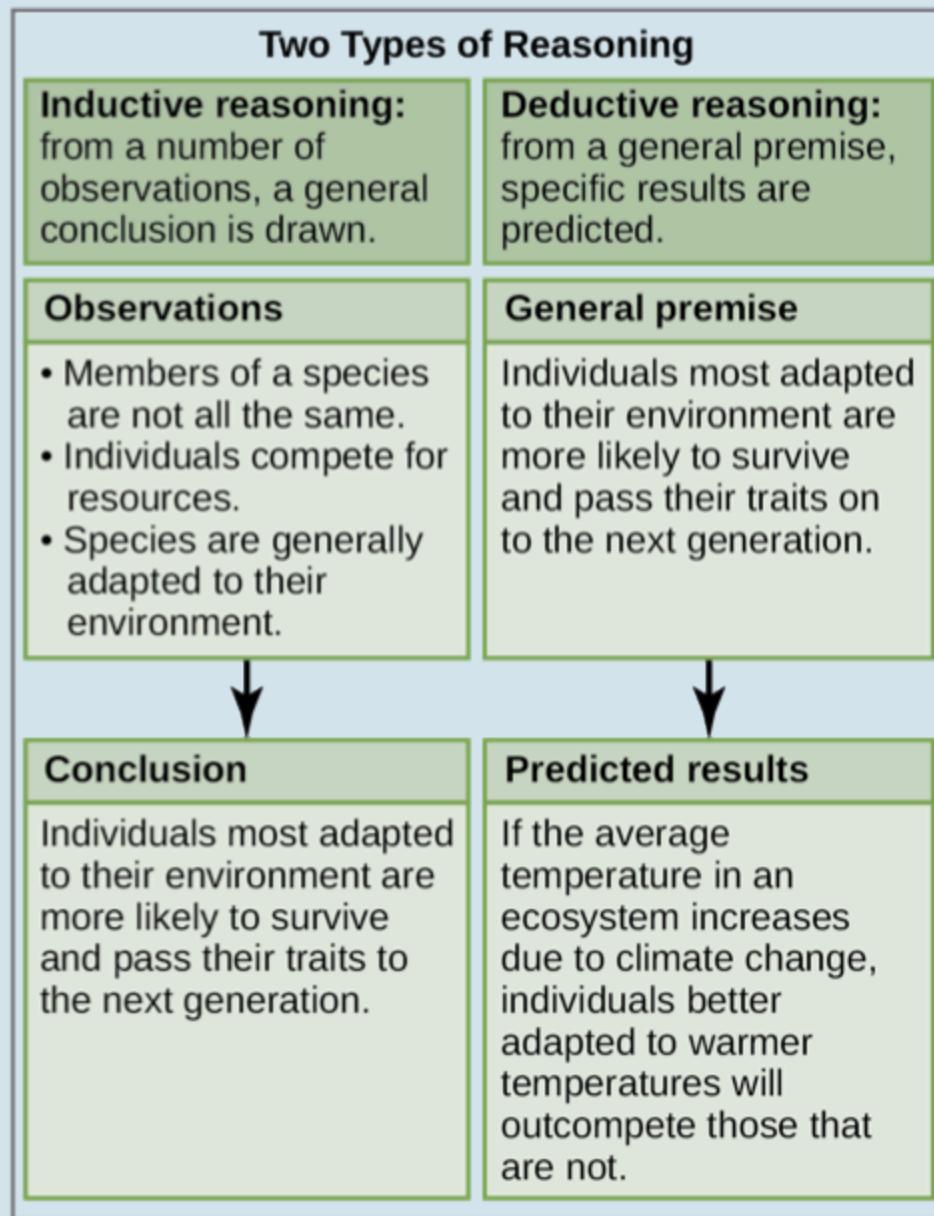


Figure 1.8 This piece of art is PNG set to 300 DPI.

In other words, revenues (sometimes called sales or fees earned) increase the value of the organization because the primary purpose of the organization is to provide goods or services.

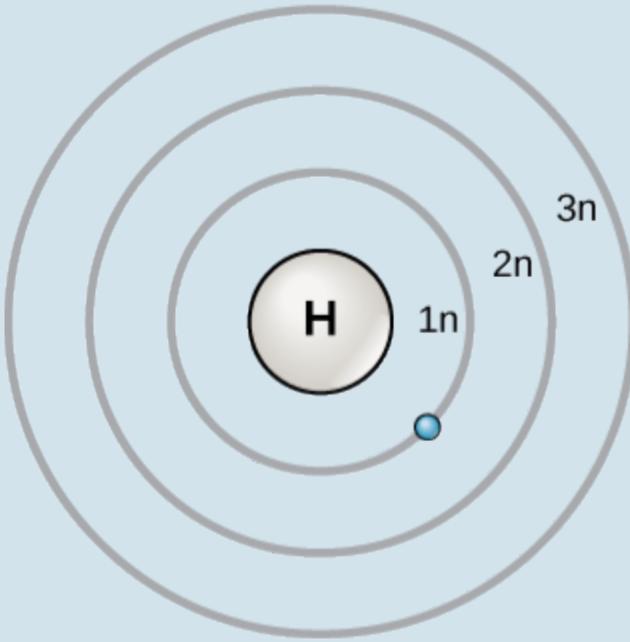
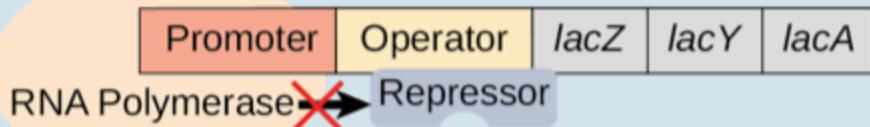


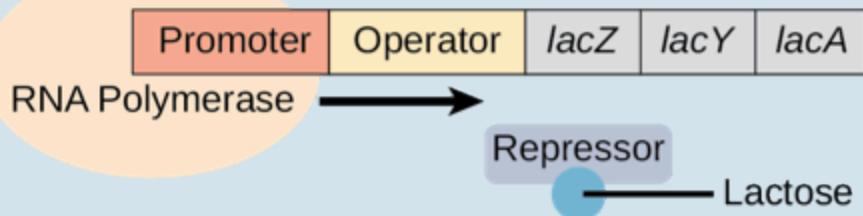
Figure 1.9 This piece of art is PNG set to 300 DPI.

You might think of expenses as the opposite of revenue. Expenses are the costs of providing the goods or services. Expenses are formally defined as “outflows or other using up of assets or incurrences of liabilities (or a combination of both) from delivering or producing goods, rendering services, or carrying out other activities that constitute the entity’s ongoing major or central operations” (SFAC No. 6, p. 23). In other words, expenses decrease the value of the organization because the organization incurs a cost in providing goods or services.

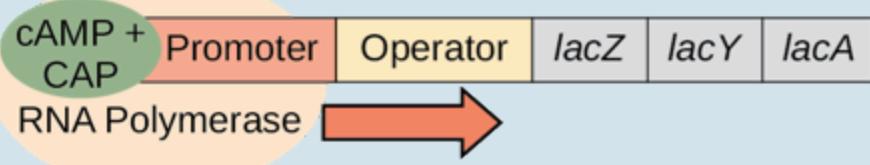
In the absence of lactose, the lac repressor binds the operator, and transcription is blocked.



In the presence of lactose, the lac repressor is released from the operator, and transcription proceeds at a slow rate.



cAMP-CAP complex stimulates RNA Polymerase activity and increases RNA synthesis.



However, even in the presence of cAMP-CAP complex, RNA synthesis is blocked when repressor is bound to the operator.

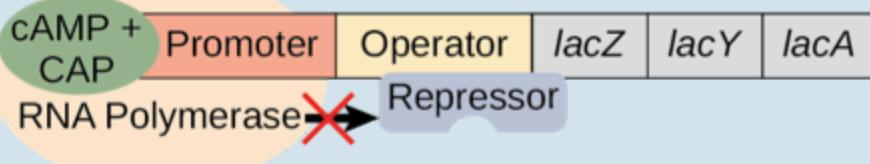


Figure 1.10 This piece of art is PNG set to 300 DPI.

Another thing you might have recognized when reviewing your list is all of the items were something you could touch or move.

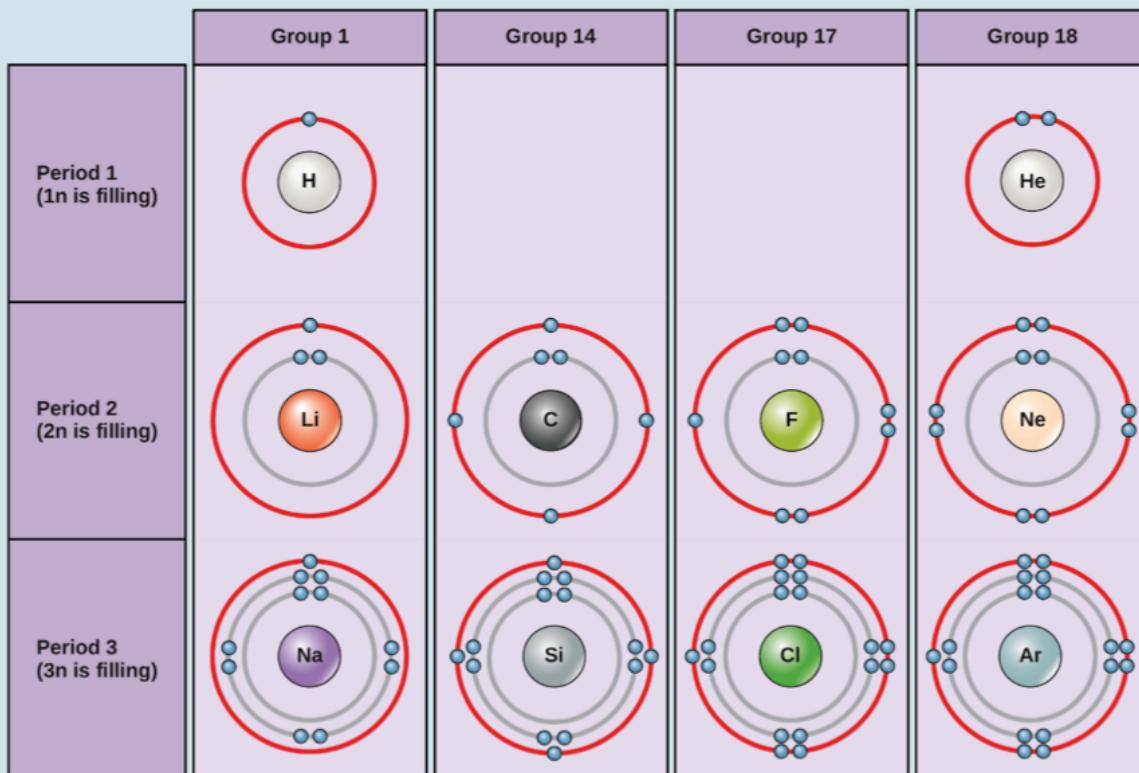


Figure 1.11 This piece of art is PNG set to 300 DPI.

These items are called tangible assets. Not all assets, however, are tangible. Some assets are intangible, meaning the item lacks physical substance—it cannot be touched or moved. Take a moment to think about your favorite type of shoe or a popular type of farm tractor.

Would you be able to recognize the maker of that shoe or the tractor by simply seeing the logo? Chances are you would. These are examples of intangible assets, trademarks to be precise. A trademark has value to the organization that created (or purchased) the trademark and the trademark is something the organization controls—others cannot use the trademark without permission.

This Next Section Is Going to Test the Appearance and Functionality of New, Full Figure Credits That Collate to the End of the Chapter

KC notes that this section tests what it says in the header above. [Figure 1.20](#) shows the materials requisition form for job MAC001. This form serves a few different functions and is sent to different offices. The raw materials inventory department maintains a copy to document the change in inventory levels and the accounting department maintains a copy to properly assign the costs to the particular job.



Figure 1.12 Royal Observatory in Greenwich, England. At the internationally agreed-upon zero point of longitude at the Royal Observatory Greenwich, tourists can stand and straddle the exact line where longitude “begins.”

DV already has a beginning inventory of \$1,000 in raw materials – vinyl, and \$300 in each of its ink inventories: raw materials – black ink, raw materials – red ink, and raw materials – gold ink. In order to have enough inventory on hand for all of its jobs, it purchases \$10,000 in vinyl and \$500 in ink purchased.

The beginning balances and purchases in each of these accounts are illustrated in these T accounts ([Figure 1.20](#)).



Figure 1.13 Cerro Paranal, a mountain summit 2.7 kilometers above sea level in Chile’s Atacama Desert, is the site of the European Southern Observatory’s Very Large Telescope. This photograph shows the four 8-meter telescope buildings on the site and vividly illustrates that astronomers prefer high, dry sites for their instruments. The 4.1-meter Visible and Infrared Survey Telescope for Astronomy (VISTA) can be seen in the distance on the next mountain peak.

Traditional billboards with the design printed on vinyl include direct materials of: vinyl, printing ink, and the framing material which is wood and grommets. The typical billboard sign is 14 feet high by 48 feet wide and DV incurs a vinyl cost of \$300 per billboard. The price for the ink varies by color. For this job, DV needs: two units of black ink at a cost of \$85 each, one unit of red ink and one unit of gold ink with a cost of \$55 each, twelve grommets with a cost of \$10 each, and forty units of wood at a cost of \$1.50 per unit.

There are some items that are more difficult to measure per unit such as crazy glue and other materials not directly traceable to the final product. Their costs are assigned to the product as part of manufacturing overhead.



Big Bang occurs.

Milky Way Galaxy forms.

Our solar system forms. Life on Earth begins.

Earth's atmosphere becomes oxygenated.

First complex life forms appear.

December							
1	2	3	4	5	6	7	
8	9	10	11	12	13	14	
15	16	17	18	19 Vertebrates appear.	20 Land plants appear.	21	
22	23	24	25 Dinosaurs appear.	26 Mammals appear.	27	28	
29	30 Dinosaurs become extinct.	31 Humans appear.					

Figure 1.14 On a cosmic calendar, where the time since the Big Bang is compressed into 1 year, creatures we would call human do not emerge on the scene until the evening of December 31.

Indirect Materials

Indirect materials are materials used in production but not traced to specific products because the net informational value from the time and effort to trace the cost to each individual product produced is impossible or not worth the expense. For example, a furniture factory classified the cost of glue, stain and nails as indirect materials. Nails are often used in furniture production; however, one chair may need 15 nails while another needs 18 nails. At a cost of less than one cent per nail, it is not worth keeping track of each nail. It is much more practical to track how many pounds of nails were used for the period and allocate this cost (along with other costs) to the overhead costs of the products finished.

Indirect Labor

Indirect labor is the labor costs of those employees associated with the manufacturing process, but their contributions are not directly traceable to the final product. These would include the costs of the factory floor supervisor, the factory housekeeping staff, and factory maintenance workers.

It is important to understand the costs may vary from company to company. What may be a direct labor for one company may be an indirect labor for another company or even another department. Deciding if the expense is direct or indirect depends on its task. If the expense can be directly related to the product; it is direct labor. For example: employee salaries depend on the task. If the employee's work can be directly tied to the product, it is direct labor. If it is tied to the factory but not to the product, it is indirect labor. If it is tied to the marketing department, it is a sales and administrative expense and not included in the cost of the product.

WHAT CAN YOU DO

Burgers and Advertising





Figure 1.15 Figure caption goes here. KC notes that this caption contains an index term to see how it works.

What does it take to manufacture the sign outside the stadium? It starts with the production department requisitioning vinyl and ink from the raw materials inventory. Once the raw materials are delivered to the production department, the product is considered work-in-process inventory. There, direct labor is used to place the material into the printer, align the computerized design, and have it printed on the vinyl. The direct materials and direct labor are known and recorded on the job order cost sheet. When the Production Department has completed its work, the sign and the job order cost sheet are transferred to the Finishing Department. This department requests wood for framing and grommets for attaching the sign from raw materials inventory. This department adds direct labor, wood, and grommets to the already printed sign to finish it properly.

For the Production department, indirect material are the clips used to hold the material in place, indirect labor is the labor used to maintain the printer, and the electricity used to print is manufacturing overhead. In the Finishing Department, indirect material are glue and nails, while indirect labor is the labor of the individuals who maintain the construction materials. Indirect material, indirect labor, and overhead are added to the cost of the sign as manufacturing overhead through a process we will discuss later in the chapter. The sign is now complete and the manufacturer knows the cost of the sign including all of the components: material, labor, and overhead.

The total manufacturing cost of any product is the total of materials, labor, and overhead. The direct materials and direct labor are accounted for separately while the indirect material, and indirect labor are accounted for as part of manufacturing overhead. While this chapter focuses on the Job Order Cost system, costs are traced similarly in a process costing system. [Figure 1.20](#) shows T accounts and the flow of costs through production.

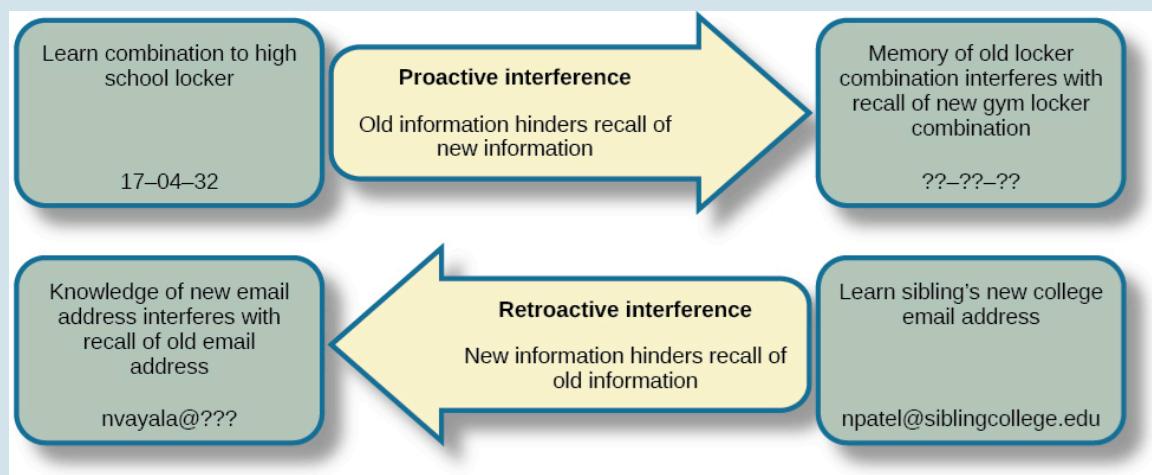


Figure 1.16 Flow of costs through production to the final sale.

The Work in Process Inventory account maintains the costs for all jobs in production and each specific job has its costs tracked separately on a job order cost sheet. The job order cost sheet is the essential tracking tool for recording manufacturing costs in a job order costing system and acts as a subsidiary ledger for the work in process inventory account.

All manufacturing costs related to each specific job: direct material used, direct labor incurred, and manufacturing overhead applied are recorded on the job order cost sheet. When the jobs are finished, the cost and the physical job is transferred to finished goods inventory along with the job order cost sheet. The total of all completed costs on the job order cost sheet is equal to the total of finished goods inventory. The jobs remain in finished goods inventory until they are sold.

In addition to recording the costs, the job order cost sheet records all the information essential to each individual job: customer number, units ordered, product ordered, date started and date product is transferred to each department. It is a subsidiary ledger for the work-in-process inventory account. Every journal entry recording materials, labor, and overhead have a corresponding entry in the related job order cost sheet.

Let's continue our exploration of the accounting equation, focusing on the equity component, in particular. Recall that we defined equity as the net worth of an organization. It is helpful to also think of net worth as the *value* of the organization. Recall, too, that revenues (inflows as a result of providing goods and services) *increase* the value of the organization. So, every dollar of revenue an organization generates increases the overall value of the organization. Likewise, expenses (outflows as a result of generating revenue) *decrease* the value of the organization.

So, each dollar of expenses an organization incurs decreases the overall value of the organization. The same approach can be taken with the other elements of the financial statement.

ENTREPRENEUR IN ACTION



Pizza for All

You are deciding if you should purchase a pizza franchise or open your own restaurant specializing in pizza. List the expenses necessary to sell pizza and identify them as a fixed cost or variable cost; manufacturing cost or sales and administrative costs; as well as Direct Material, Direct Labor, or overhead. For each overhead item, state if it is an indirect material expense, indirect labor expense or other.

The Work in Process Inventory account maintains the costs for all jobs in production and each specific job has its costs tracked separately on a job order cost sheet. The job order cost sheet is the essential tracking tool for recording manufacturing costs in a job order costing system and acts as a subsidiary ledger for the work in process inventory account.

Section Summary

In this section we looked at the importance of the entrepreneurial mindset. This way of thinking can energize and motivate the entrepreneur to take their business to the next level. It is a learned behavior that can be adopted by any business founder who wants to continually improve their business. In the same way, entrepreneurial spirit is a key part of the start-up business. This is a forward thinking, problem solving, can-do approach to running the business. These two aspects of the business are reinforced by the entrepreneur's passion. This internal drive will keep the individual going when things get tough, because their passion will carry them on to the next thing. Passion sustains the entrepreneur because it speaks to the core of what they do and why they do it.

1.3 Defining and Entrepreneurial Mindset or Spirit

To summarize the job order cost system, the cost of each job includes direct material, direct labor, and manufacturing overhead. While the product is in production, the direct material and direct labor costs assigned so far are included in work in progress inventory. The direct material is requested by the production department and the direct material cost is directly attached to each individual job as the materials are released from raw materials inventory. The cost of direct labor is recorded by the employees and assigned to each individual job.

When the allocation base is known, usually when the product is completed, the overhead is allocated to the product on the basis of the predetermined overhead rate. This chapter will explain job order costing and how it differs from process costing. [Distinguish between Merchandising, Manufacturing, and Service Organizations](#) will be discussed later in the chapter.

The Basics of Determining the Costs of an Individual Job Using Job Order Costing

When the job is completed, the total cost of the job: the direct materials, direct labor, and manufacturing overhead are totaled and transferred to finished goods at the same time the physical product is transferred. Finally, when the product is sold, the sale is recorded at the sale price while the cost is transferred from finished goods inventory to the cost of goods sold expense account.¹

This module tries centering text without using MathType.

At all points in the process, the work in progress should include the cost of direct material and direct labor. When the job is completed and overhead assigned, the overhead allocation increases the cost of the work in progress inventory. The cost of each individual job is maintained on job cost sheets and the total of all the work in progress job cost sheets equals the work in progress inventory, and the cost of goods manufactured schedule discussed earlier.

A job cost sheet is a subsidiary ledger that identifies the individual costs for each job. [Figure 1.20](#) shows the job cost sheet for job MAC001.



Figure 1.17 Job cost sheet for MAC001.

Sample Cost Information for Our JOC Example

Dinosaur Vinyl worked on three jobs during the month. POR143 was already in work in progress inventory with \$1,000 in direct material costs. There wasn't any direct labor as the material was received by production at the end of the month. During the current month, additional materials of \$200, and \$150 of direct labor were added to POR143. Overhead of \$375 was applied to POR143 at the predetermined overhead rate of \$2.50 per direct labor dollar. The job is considered complete and was transferred to finished goods inventory awaiting its sale.

Job MAC001 was started during the month and had \$700 in direct materials, \$66 in direct labor, and \$165 of overhead was applied to the job before it was transferred to finished goods and sold for \$2,000. As you recall from [Clarifying: Your Entrepreneurial Vision](#), you learned about the foundation for this already.

Job TRJ441 was started and not finished during the month. Its costs consists of direct material of \$500, \$150 in direct labor expenses, and \$375 in applied overhead. The job remains in work in progress inventory awaiting assembly.¹

At the beginning of the month, Job SWM505 was already in Finished Goods inventory at a cost of \$1,531. It was sold during the month for \$3,500 and the cost was transferred to cost of goods sold.

The cost of raw materials used is calculated as shown in [Figure 1.20](#).

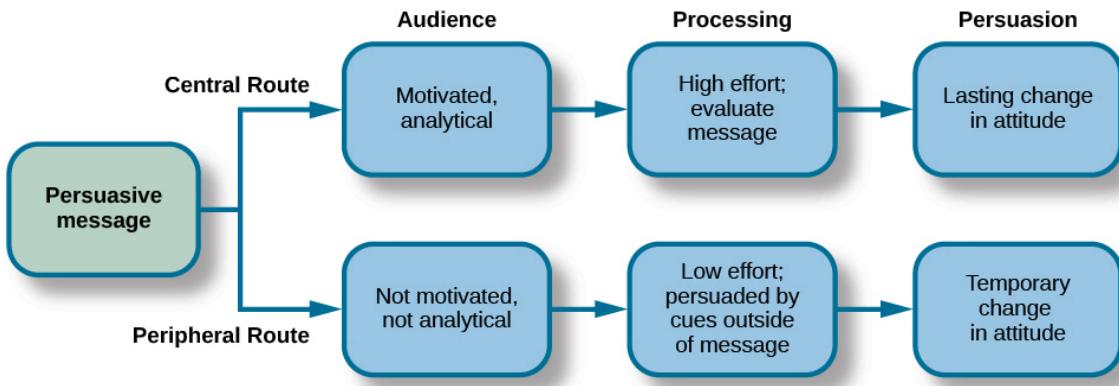


Figure 1.18 Figure caption goes here.

Notice the costs for job TJR441 are included in work in progress inventory while the costs for Port143 and MAC001 (see [Figure 1.20](#)) were transferred to the cost of goods manufactured. The costs of the jobs transferred are shown in the cost of goods sold and finished goods inventory of:



Figure 1.19 Figure caption goes here.

LINK TO LEARNING

Link to Learning

Do you know of a restaurant that was doing really well until it moved into a larger space? Often this happens because the owners thought their profits could handle the costs of the increased space. Unfortunately, they were not really aware of the cost of their food. It's [critical to keep track of product costs](#) for pricing and cost control.

LINK TO LEARNING

Link to Learning

KC notes that this link to learning tests quotation marks. Unfortunately, they were not really aware of the cost of their food. It's [critical to "keep track of product costs"](#) for pricing and cost control.

LINK TO LEARNING

Link to Learning

KC notes that this link to learning tests commas. Unfortunately, they were not really aware of the cost of their food. It's [critical to keep track of product costs,](#) for pricing and cost control.

LINK TO LEARNING

Link to Learning

KC notes that this link to learning tests periods. Unfortunately, they were not really aware of the cost of their food. It's [critical to keep track of product costs.](#)

LINK TO LEARNING

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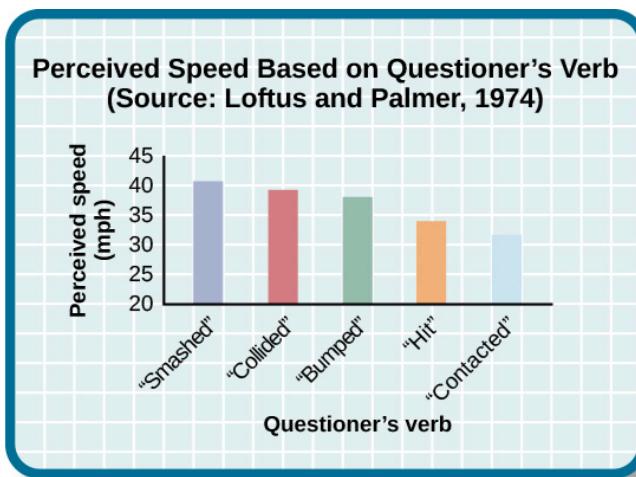
At the beginning of the year, the company set budgeted overhead at \$500,000 and applies overhead to production based on budgeted direct labor dollars of \$250,000. During the month, jobs 101 and 102 were completed and job 101 was sold for \$50,000.

Mechanics of the Determination of Our Example's Costs Under JOC

The amounts in raw material, work in process, and finished goods inventory maintain the total cost for each account while the job cost sheets contain the costs for each individual job as shown in [Figure 1.20](#). A summary of the jobs for Dinosaur Vinyl show:



(a)



(b)

Figure 1.20 Summary of DV's jobs during the year.

ARE YOU READY

Manufacturing Costs

A manufacturing company has incurred the following costs:²

As described in the previous chapter, the complete set of financial statements acts as an *X-ray* of a company's health. By evaluating all of the financial statements together, one with financial knowledge can determine the overall health of a company. The accountant can use this information to advise outside (and inside) stakeholders on decisions, and management can use this information as one tool to make strategic short-term and long-term decisions.

What is the cost allocated to job A?

KC notes that the line above should be centered

Denial

Refusing to accept real events because they are unpleasant

Kaila refuses to admit her problem although she is sober every day without drink

Displacement

Transferring inappropriate urges or behaviors onto a more acceptable or less threatening target

During lunch at a restaurant, Matt hits his older brother, but instead is very nice to the server

Projection

Attributing unacceptable desires to others

Chris often cheats on his wife, but when she suspects he is already involved with another woman

Rationalization

Justifying behaviors by substituting acceptable reasons for less-acceptable real reasons

Kim failed his history exam because he did not study or attend his roommates that he claims his professor did not teach

Reaction Formation

Reducing anxiety by adopting beliefs contrary to your own beliefs

Nadia is angry with her friend Beth for always arriving late to their parties, but she is nice to Beth and affirms the same qualities in herself

Regression

Returning to coping strategies for less mature stages of development

After failing to pass his final examinations, Giorgio goes home and cuddles his favorite stuffed animal

Repression

Suppressing painful memories and thoughts

LaShea cannot remember her father's fatal heart attack, although she has vivid dreams about it

Section Summary

In this section we have seen examples of the entrepreneurial mindset, and how it can be a positive influence on entrepreneurs everywhere. Some of these business start-ups are the result of collaborative efforts of multi-disciplinary teams, where individuals from different disciplines come together to create items that they could not have created alone. We have also looked at the global nature of entrepreneurship, and the increasing diversity among entrepreneurs. This has resulted in many more new products and services available to meet consumer needs.

Footnotes

- [1](#) This module contains footnotes, like this one in the main text.
- [2](#) This module contains footnotes, like this one in the feature box.



Summary

1.1 Entrepreneurial Vision and Goals

In this section we have learned about creative ways to produce an entrepreneurial vision. There are many different methods that can work, and you should choose the one that best suits your situation. If that method is not productive, of course you should try another. Remember, entrepreneurial visions are not made overnight, but with time and effort, you will refine your vision to best match your entrepreneurial goals and objectives. KC notes that this section summary includes **bold**, *italic*. It even has $7 + \alpha = [10]$ a bit of inline math.

1.2 Designing Your Entrepreneurial Vision and Goals

1.3 Defining and Entrepreneurial Mindset or Spirit



Key Terms

1.3 Defining and Entrepreneurial Mindset or Spirit

Key Terms

- conversion costs
- direct labor
- direct materials
- expense recognition principle
- indirect labor
- indirect materials
- job order costing
- manufacturing costs
- manufacturing overhead
- period costs
- prime costs
- process costing
- product costs



Review Questions

1.1 Entrepreneurial Vision and Goals

1. Why is it important to have an entrepreneurial vision?

Here is sample answer content for generic assessment content for Eship.

2. When should an entrepreneur explore opportunities? Here is sample question content for generic assessment content for Eship. This assessment item is longer than the first and takes up more space. This assessment item is longer than the first and takes up more space

Here is sample answer content for generic assessment content for Eship. This answer item is longer than the first and takes up more space. This answer item is longer than the first and takes up more space.

3. What are some good questions to ask yourself when creating a personal vision?

Here is sample answer content for generic assessment content for Eship. This answer item is longer than the first and takes up more space. This answer item is longer than the first and takes up more space.

4. Why is it important to perform due diligence? Here is sample question content for generic assessment content for Eship. This assessment item is longer than the first and takes up more space. This assessment item is longer than the first and takes up more space.

Here is sample answer content for generic assessment content for Eship.

1.2 Designing Your Entrepreneurial Vision and Goals

5. What are S.M.A.R.T. goals and how do they help to shape your entrepreneurial vision?

Here is sample answer content for generic assessment content for Eship.

6. What is mindmapping and how is it helpful in developing a vision? Here is sample question content for generic assessment content for Eship. This assessment item is longer than the first and takes up more space. This assessment item is longer than the first and takes up more space.

Here is sample answer content for generic assessment content for Eship. This answer item is longer than the first and takes up more space. This answer item is longer than the first and takes up more space.

7. What is an entrepreneurial opportunity?

Here is sample answer content for generic assessment content for Eship. This answer item is longer than the first and takes up more space. This answer item is longer than the first and takes up more space.

8. What should a potential entrepreneur know before starting a business? Here is sample question content for generic assessment content for Eship. This assessment item is longer than the first and takes up more space. This assessment item is longer than the first and takes up more space.

Here is sample answer content for generic assessment content for Eship.

1.3 Defining and Entrepreneurial Mindset or Spirit

9. Why is entrepreneurial passion so important for success?

Here is sample answer content for generic assessment content for Eship.

10. What factors other than passion are needed for entrepreneurs to succeed in the marketplace? Here is sample question content for generic assessment content for Eship. This assessment item is longer than the first and takes up more space. This assessment item is longer than the first and takes up more space.

Here is sample answer content for generic assessment content for Eship. This answer item is longer than the first and takes up more space. This answer item is longer than the first and takes up more space.

11. Here is sample question content for generic assessment content for Eship.

Here is sample answer content for generic assessment content for Eship. This answer item is longer than the first and takes up more space. This answer item is longer than the first and takes up more space.

12. Here is sample question content for generic assessment content for Eship. This assessment item is longer than the first and takes up more space. This assessment item is longer than the first and takes up more space.

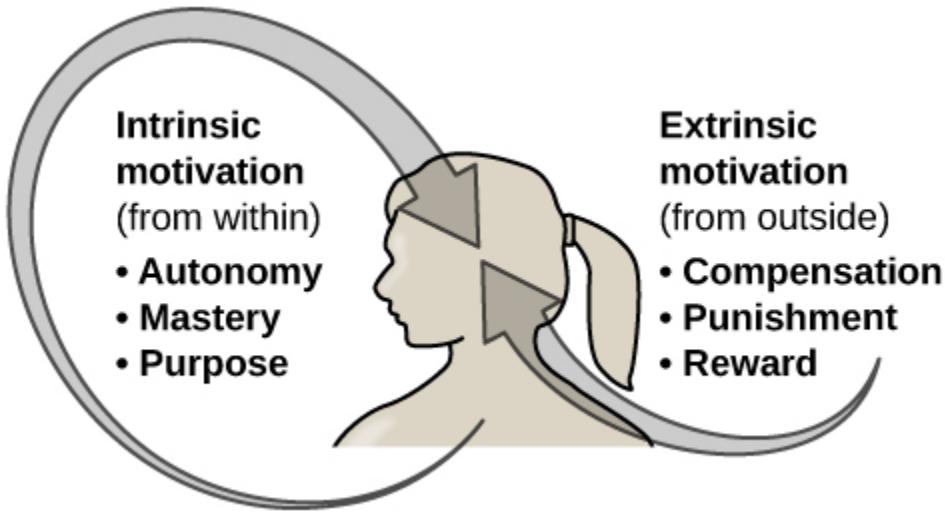
is sample answer content for generic assessment content for Eship.



Discussion Questions

1.1 Entrepreneurial Vision and Goals

13. Here is sample question content for generic assessment content for Eship.
14. What lessons learned can you list from famous entrepreneurs that you know? Could these be applied to your own situation? Here is sample question content for generic assessment content for Eship. This assessment item is longer than the first and takes up more space. This assessment item is longer than the first and takes up more space.
15. Here is sample question content for generic assessment content for Eship.



16. How would you explain the concept of an entrepreneurial vision to your college roommate who is a History major? Use a real world example of an entrepreneur who has a vision to make your case.

1.2 Designing Your Entrepreneurial Vision and Goals

17. Consider the activity of developing or exploring an entrepreneurial vision. What are some ways you might be inspired to develop your entrepreneurial vision?
18. How would you encourage others to develop their own vision statement? Here is sample question content for generic assessment content for Eship. This assessment item is longer than the first and takes up more space. This assessment item is longer than the first and takes up more space.
19. Here is sample question content for generic assessment content for Eship.
20. Here is sample question content for generic assessment content for Eship. This assessment item is longer than the first and takes up more space. This assessment item is longer than the first and takes up more space.

1.3 Defining and Entrepreneurial Mindset or Spirit

21. How would you describe your entrepreneurial passion? How do you demonstrate that passion to others?
22. How should a business founder maintain an entrepreneurial mindset? Are there any practices that would foster this type of thinking? Here is sample question content for generic assessment content for Eship. This assessment item is longer than the first and takes up more space. This assessment item is longer than the first and takes up more space.
23. Here is sample question content for generic assessment content for Eship.
24. Here is sample question content for generic assessment content for Eship. This assessment item is longer than the first and takes up more space. This assessment item is longer than the first and takes up more space.



Case Questions

1.1 Entrepreneurial Vision and Goals

25. Why are product costs assigned to the product and period costs immediately expensed?

The expense recognition principle has the expenses follow the revenue. Product costs are assigned to the product because they are associated with the revenue from the sale of the product. The cost is transferred from inventory to cost of goods sold when the item is sold. This matches the revenue from the sale with the cost of the item being sold. Period costs are expensed when incurred because they are not related to a specific product and related to the time period in which revenue is earned.

26. Here is sample question content for generic assessment content for Eship. This assessment item is longer than the first and takes up more space. This assessment item is longer than the first and takes up more space.

Here is sample answer content for generic assessment content for Eship. This answer item is longer than the first and takes up more space. This answer item is longer than the first and takes up more space.

27. Can a company use both job order costing and process costing? Why.

Yes. A company may use both to account for different types of products. For example; a jewelry manufacturer may manufacture many of the same charms and use process costing. It may also have custom ordered jewelry and use job order costing.

28. Here is sample question content for generic assessment content for Eship. This assessment item is longer than the first and takes up more space. This assessment item is longer than the first and takes up more space.

Here is sample answer content for generic assessment content for Eship.

1.2 Designing Your Entrepreneurial Vision and Goals

29. 1. Burnham Industries incurs the following costs for the month:



What are the prime cost and conversion cost?

Here is sample answer content for generic assessment content for Eship.

30. Here is sample question content for generic assessment content for Eship. This assessment item is longer than the first and takes up more space. This assessment item is longer than the first and takes up more space.

Here is sample answer content for generic assessment content for Eship. This answer item is longer than the first and takes up more space. This answer item is longer than the first and takes up more space.

31. Here is sample question content for generic assessment content for Eship.

Lacrosse Stick Production Costs	Is the cost a Manufacturing cost or a Sales & Administrative cost	If Manufacturing cost; select the proper type of cost: Direct Material, Direct Labor, Overhead	If Manufacturing Overhead; Select Type (Indirect material, Indirect Labor, Other)
Carbon, fiberglass			

Table 1.10 Expenses Involved in Lacrosse Stick Production

Lacrosse Stick Production Costs	Is the cost a Manufacturing cost or a Sales & Administrative cost	If Manufacturing cost; select the proper type of cost: Direct Material, Direct Labor, Overhead	If Manufacturing Overhead; Select Type (Indirect material, Indirect Labor, Other)
Administrative building rent			
Accountant salary			
Factory building depreciation			
Strings for the pocket			
Advertising			
Production supervisor			
Paint for sticks			
Research and development costs			
Wages of person who strings the sticks			
Cutting machine			
Human resources salaries			
Factory maintenance			

Table 1.10 Expenses Involved in Lacrosse Stick Production

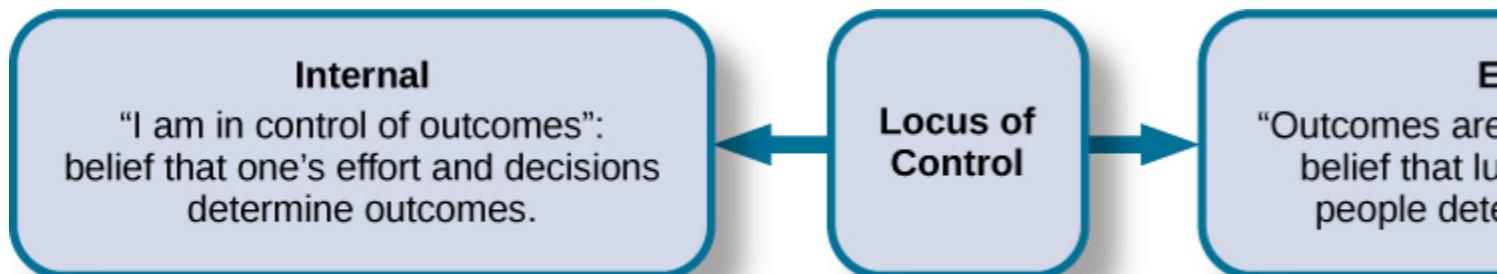
Lacrosse Stick Production Costs	Is the cost a Manufacturing cost or a Sales & Administrative cost	If Manufacturing cost; select the proper type of cost: Direct Material, Direct Labor, Overhead	If Manufacturing Overhead; Select Type (Indirect material, Indirect Labor, Other)
Carbon, fiberglass	MFG	DM	
Administrative building rent	S&A		

Table 1.11 Expenses Involved in Lacrosse Stick Production

Lacrosse Stick Production Costs	Is the cost a Manufacturing cost or a Sales & Administrative cost	If Manufacturing cost; select the proper type of cost: Direct Material, Direct Labor, Overhead	If Manufacturing Overhead; Select Type (Indirect material, Indirect Labor, Other)
Accountant salary	S&A		
Factory building depreciation	MFG	OH	Other
Strings for the pocket	MFG	DM	
Advertising	S&A		
Production supervisor	MFG	OH	IL
Paint for sticks	MFG	DM	
Research and development costs	S&A		
Wages of person who strings the sticks	MFG	DL	
Cutting machine	MFG	OH	OH
Human resources salaries	S&A		
Factory maintenance	MFG	OH	OH

Table 1.11 Expenses Involved in Lacrosse Stick Production

32. Choco's Chocolates incurs the following costs for the month:



Is this an effective method? Why or why not?

A. \$40,000: Direct material plus direct labor. B. conversion cost: \$72,000: Direct labor plus Factory Depreciation expense plus Utility expense.

1.3 Defining and Entrepreneurial Mindset or Spirit

33. Here is sample question content for generic assessment content for Eship.

Here is sample answer content for generic assessment content for Eship.

34. Here is sample question content for generic assessment content for Eship. This assessment item is longer than the first and takes up more space. This assessment item is longer than the first and takes up more space.

Here is sample answer content for generic assessment content for Eship. This answer item is longer than the first and takes up more space. This answer item is longer than the first and takes up more space.

35. Here is sample question content for generic assessment content for Eship.

Here is sample answer content for generic assessment content for Eship. This answer item is longer than the first and takes up more space. This answer item is longer than the first and takes up more space.

36. Here is sample question content for generic assessment content for Eship. This assessment item is longer than the first and takes up more space. This assessment item is longer than the first and takes up more space.

Here is sample answer content for generic assessment content for Eship.



Suggested Resources

1.1 Entrepreneurial Vision and Goals

Aristarchos of Samos: <http://adsabs.harvard.edu/full/seri/JRASC/0075//0000029.000.html>. By Dr. Alan Batten

Astrology Debunked: <https://www.youtube.com/watch?v=y84HX2pMo5U>. A compilation of scientists and magicians commenting skeptically on astrology (9:09).

Claudius Ptolemy: <http://www-history.mcs.st-and.ac.uk/Biographies/Ptolemy.html>. An interesting biography.

Hipparchus of Rhodes: <http://www-history.mcs.st-andrews.ac.uk/Biographies/Hipparchus.html>. An interesting biography.

1.2 Designing Your Entrepreneurial Vision and Goals

Astrology and Science: <http://www.astrology-and-science.com/hpage.htm>. The best site for a serious examination of the issues with astrology and the research on whether it works.

Galileo: <http://www.biography.com/people/galileo-9305220>. A brief biography (2:51).

Galileo's Battle for the Heavens: <https://www.youtube.com/watch?v=VnEH9rbrik>. A NOVA episode on PBS (1:48:55)

Real Romance in the Stars: <http://www.independent.co.uk/voices/the-real-romance-in-the-stars-1527970.html>. 1995 Newspaper commentary attacking astrology.

1.3 Defining and Entrepreneurial Mindset or Spirit

Galileo Galilei: <http://www-history.mcs.st-andrews.ac.uk/Biographies/Galileo.html>. A good biography with additional links.

Galileo Project. <http://galileo.rice.edu/>. Rice University's repository of information on Galileo.

Nicolaus Copernicus: <http://www-groups.dcs.st-and.ac.uk/~history/Biographies/Copernicus.html>. A biography including links to photos about his life.

Nicolaus Copernicus: <http://www.biography.com/people/nicolaus-copernicus-9256984>. An overview of his life and work (2:41).



References

1.1 Entrepreneurial Vision and Goals

- [1.](#) This is an endnote that should collate to the end of the chapter. This is in main content in Chapter 4, Module 1.
- [2.](#) This is an endnote that should collate to the end of the chapter. This is in a table row in Chapter 4, Module 1.
- [3.](#) This is an endnote that should collate to the end of the chapter. This is in main content in Chapter 4, Module 1. This is the second endnote in that module.
- [4.](#) This is an endnote that should collate to the end of the chapter. This is in a figure caption in Chapter 4, Module 1.

1.3 Defining and Entrepreneurial Mindset or Spirit

- [1.](#) This is an endnote in Chapter 4, Module 3.



Figure Credits

1.2 Designing Your Entrepreneurial Vision and Goals

Figure Credits

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