

# Job Order Costing

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# *Managerial Accounting*

## *Lecture 06: Job Order Costing*

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# study objectives

1. Explain the characteristics and purposes of cost accounting.
2. Describe the flow of costs in a job order costing system.
3. Explain the nature and importance of a job cost sheet.

# Preview

## Job Order Costing

### Cost Accounting Systems

- Job order cost system
- Process cost system

### Job Order Cost Flow

- Accumulating manufacturing costs
- Assigning manufacturing costs to work in process
- Assigning costs to finished goods
- Assigning costs to cost of goods sold
- Job order costing for service companies
- Summary of job order cost flows
- Advantages and disadvantages of job order costing

### Reporting Job Cost Data

- Cost of goods manufactured schedule
- Income statement presentation
- Under- or overapplied manufacturing overhead

# *Cost Accounting Systems*

Cost Accounting involves:

**Measuring,**

**Recording,** and

**Reporting of product costs**

- Accounts are fully integrated into the general ledger.
- Perpetual inventory system provides immediate, up-to-date information.
- Two basic types: (1) a **job order cost system** and (2) a **process cost system**.

*SO 1 Explain the characteristics and purposes of cost accounting.*

# Cost Accounting Systems

## Job Order Cost System

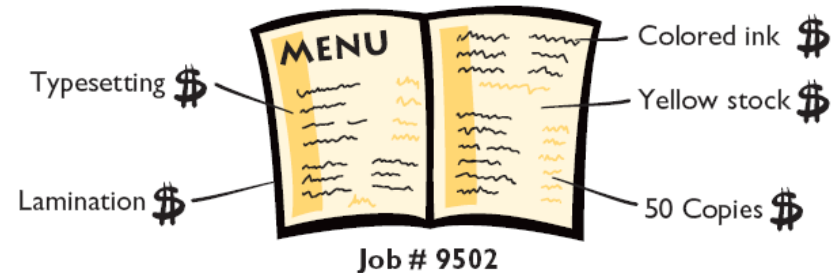
- Costs are assigned to each job or batch.
- A job may be for a specific order or inventory.
- **A key feature:** Each job or batch has its own distinguishing characteristics.
- **The objective:** To compute the cost per job.
- Measures costs for each job completed - not for set time periods.

# Cost Accounting Systems

Illustration 2-1

## Job Order Cost System

Two jobs: Wedding Invitations and Menus



Each job has distinguishing characteristics and related costs.

**SO 1 Explain the characteristics and purposes of cost accounting.**

# Cost Accounting Systems

## Process Cost System

- Used when a **large volume of similar products** are manufactured - (Cereal, Automobiles, Compact Discs, Paint).
- Costs are accumulated for a **specific time period** - (week or month).
- Costs are assigned to departments or processes for a **set period of time**.



# Cost Accounting Systems

Illustration 2-2

## Process Cost System

### Compact Disc Production

1. Oil is pumped.



2. Benzene is removed.



3. The benzene is made into pellets...



4. ...from which compact discs are produced.



Similar products are produced over a specified time period.

**SO 1 Explain the characteristics and purposes of cost accounting.**

# Cost Accounting Systems

## Review Question

Cost accounting involves the measuring, recording, and reporting of:

- a. Product costs.
- b. Future costs.
- c. Manufacturing processes.
- d. Managerial accounting decisions.

# Job Order Cost Flow

## Job Cost Sheet

Illustration 2-5

Job Cost Sheet			
Job No. _____	Quantity _____		
Item _____	Date Requested _____		
For _____	Date Completed _____		
Date	Direct Materials	Direct Labor	Manufacturing Overhead
<div>Cost of completed job</div> <div> <div>Direct materials</div> <div>Direct labor</div> <div>Manufacturing overhead</div> <div>Total cost</div> <div>Unit cost (total dollars ÷ quantity)</div> </div> <div> <div>\$ _____</div> <div>_____</div> <div>_____</div> <div>\$ _____</div> <div>\$ _____</div> </div>			

**SO 3** Explain the nature and importance of a job cost sheet.

*End of Lecture 06*

***THANK YOU ALL...***