

CHAPTER 4

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PROCESS COSTING

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- Uniform goods/services
- Used In
 - Manufacturing Operations
 - Service Industries

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- Similar Products → Similar Costs
- Use Average Cost

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- Example:
 - 300,000 TVs @ \$6,000,000
 - Each TV costs \$20
 - ($\$6,000,000 / 300,000$)
- Less expensive to maintain

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- Calculate average cost for each of cost component
 - DMs
 - DL
 - MO/H

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- If different behavior
 - Separate average cost calculation
- If same cost driver
 - Can combine cost components
 - Average for combined cost

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- Example:
 - MO/H uses DLHs as driver
 - Combine MO/H & DLC
 - Treat them as 1 cost pool
 - Called "Conversion Costs"

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- Average Cost per component:

\$ Cost Incurred This Month

Units Manufactured This Month
