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精英课程 F2

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3. Functional costs

Production cost

- Administration overhead
- Selling overhead
- Distribution overhead
- Research overhead

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Production cost

Factory, production process , worker.

- Administration overhead

  Office, staff

- Selling overhead

  Sales related, advertising

- Distribution overhead

  Finished product leaving the company

  Vehicles, lorry

- Research overhead

  Scientists Lab

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QUESTION

1. Cost of oils used to lubricate production machinery
2. Motor vehicle licenses for lorries
3. Depreciation of factory plant and equipment
4. Commission paid to sales representatives
5. Salary of the secretary to the finance director
6. Holiday pay of machine operatives

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QUESTION

7. Salary of security guard in raw material warehouse
8. Rent of finished goods warehouse
9. Insurance of the company's premises
10. Salary of supervisor working in the factory
11. Cost of typewriter ribbons in the general office
12. Protective clothing for machine operatives

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ANSWER

1 production

2 distribution

3 production

4 selling cost

5 administration

6 production

7 production

8 distribution

9 administration

10 production

11 administration

12 production

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4. Fixed costs and variable costs

See chapter 4

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5. Production and non-production costs

Production cost

Cost happened before the production completed.

Non production cost

- Cost happened after the production completed.
- Generally treated as period cost

For example

- Administration
- Selling and distribution
- Finance
- Research cost

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6. Cost codes

Once costs have been classified, a coding system can be applied to make it easier to manage the cost data, both in manual systems and in computerised systems.

For example

Department	2			
Cost centre	1	2	3	4
Consumable stores	2109	2209	2309	2409

The four-digit codes above indicate the following:

- The first digit, 2, refers to the department.
- The second digit, 1, 2, 3 or 4, refers to the cost centre which incurred the cost.
- The last two digits, 09, refer to 'materials costs, steel screws'.

What 3508 means?

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7. Cost units, cost objects and responsibility centers

Cost unit

- Is a unit of product or service to which costs can be related. The cost unit is the basic control unit for costing purposes.

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For example

Cost per patient , cost per batch

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Cost objective

- Is any activity for which a separate measurement of costs is desired.

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For example

The cost of a product

The cost of a department

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Responsibility centers

- Is a department or organisational function whose performance is the direct responsibility of a specific manager (controllability)
- It can be
  - Cost center (only responsible for cost)
  - Revenue center (only responsible for revenue)
  - Profit center (responsible for cost and revenue)
  - Investment center (care for all of above, plus return on investment, i.e. capital investment)

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QUESTION

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Which of the following is a characteristic of an investment centre? (Answer: D)

A Managers have control over marketing

B Management have a sales team

C Management have a sales team and are given a credit control function

D Managers can purchase capital assets

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