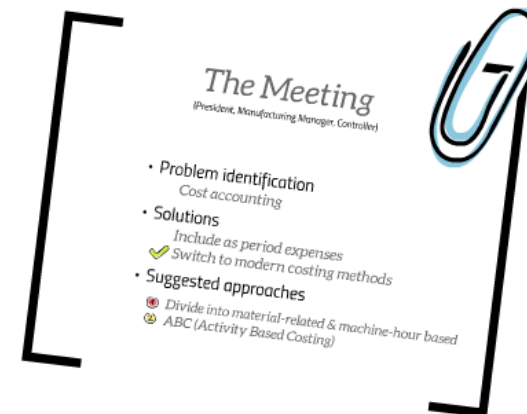


# Discussing the Problem

"Every month it becomes clearer to me that our competitors either know something that we do not know, or they are crazy."  
-Roald Guidry (President)



**Pumps: Constantly reduced prices**  
**Flow Controllers: No competition**



# *The Meeting*

(President, Manufacturing Manager, Controller)



- Problem identification  
*Cost accounting*
- Solutions  
*Include as period expenses*  
✓ *Switch to modern costing methods*
- Suggested approaches
  - ① *Divide into material-related & machine-hour based*
  - ② *ABC (Activity Based Costing)*

# *Existing Standard Costing*

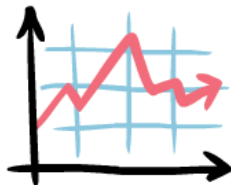
	<b>Valves</b>	<b>Pumps</b>	<b>Flow Controllers</b>
Material	\$ 16.00	\$ 20.00	\$ 22.00
Direct labor	4.00	8.00	6.40
Overhead	17.56	35.12	28.10
<b>Standard unit cost</b>	<b>\$37.56</b>	<b>\$63.12</b>	<b>\$56.50</b>

# Approach

	<b>Valves</b>	<b>Pumps</b>	<b>Flow Controllers</b>
Material	\$ 16.00	\$20.00	\$22.00
Material overhead	7.68	9.60	10.56
Direct labor	4.00	8.00	6.40
Set-up labor	0.02	0.05	0.48
Other overhead	21.30	21.30	8.52
<b>Standard unit cost</b>	<b>\$49.00</b>	<b>\$58.95</b>	<b>\$47.96</b>

# Approach (2)

	Valves	Pumps	Flow Controllers
Material	\$ 16.00	\$20.00	\$22.00
Direct labor	4.00	8.00	6.40
Set-up labor	0.02	0.05	0.48
Overhead	17.79	20.78	71.71
<b>Standard unit cost</b>	<b>\$37.81</b>	<b>\$48.83</b>	<b>\$100.59</b>



## Conclusions

- Result discussion
- Strategic implications
- Personal opinion

# Conclusions

- Result discussion
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