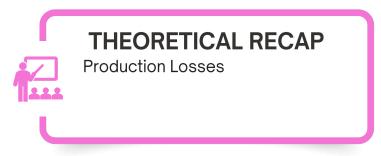


Management Accounting

Fall 2024
Practical class 10
TA Francisca Caldas



AGENDA





CHAPTER 7 and 8

Problem 26



Theoretical Class Recap (or not)

Process Costing System with losses

So far, we have examined situations in which there are no losses i.e., all output within each process is fully completed. However, that is not necessarily the case

Normal losses/Uncontrollable losses

Losses that are inherent to the production process; these occur under efficient operating conditions and are unavoidable (e.g losses of wood when cutting wood to make furniture). As such, they are included in the process cost.

Abnormal losses/controllable losses

Losses that are not expected to occur under efficient operating conditions; these losses are not an inherent part of the production process (e.g. incorrect cutting, wrong mixture). As such, they are not included in the process costs (it is rather treated as a period cost, hence they go directly intio the P&L account and is not included in the FG valuation

Scrap Value

The worth of a physical asset's individual components (Residual Value) when the asset itself its deemed no longer usable

Theoretical Class Recap (or not)

Process Costing System with losses – Relevant formulas

So far, we have examined situations in which there are no losses i.e., all output within each process is fully completed. However, that is not necessarily the case

