MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN

PROCESS COSTING IN MANUFACTURING COMPANY: PROBLEMS AND PERSPECTIVES

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Abstract

The process-costing framework is center around the procedure amount that an organization use to deliver an item. The generation procedure is ceaseless, bringing about homogenous process until it stops. Proportionate units are those that were not finished. However, such materials are finished in time creation framework; they should at present experience the change procedure, changing the materials into the last item. Figure the expenses of inadequate change is ordinarily the focal point of computing proportional units for work in process. The current expenses to designate to the identical units rely upon stock assessment framework utilized by the organization. The first in, first out (FIFO) and the weighted normal are the two strategies that most organizations use as regular stock expense. I show these entire theoretical bases in the first chapter. For understanding mean of process costing, I gave some cases about this theme. In addition, in the end of the thesis, theme is provided by the comments of expert in Azerbaijan.

Keywords: process costing, equivalent unit, transferred in cost, weighted average, conversion.

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Introduction

Process costing is a type of tasks costing which is utilized where institutionalized homogeneous goods are created. This costing technique is utilized in businesses like synthetic concoctions, materials, steel, rubber, sugar, shoes, and petroleum and so on. Procedure costing is likewise utilized in the gathering sort of industries also. It is accepted in procedure costing that the normal cost shows the expense per unit. Cost of creation amid a specific period is isolated by the quantity of units delivered amid that period to touch base at the expense per unit.

Which means:

Process costing is a technique for costing under which all expenses are collected for each phase of generation or process, and the expense per unit of item is found out at each phase of creation by separating the expense of each procedure by the typical yield of that process. Process costing is a bookkeeping system that follows and amasses direct expenses, and allocates roundabout expenses of an assembling procedure. Expenses are appointed to items, as a rule in a large group, which may incorporate a whole month's generation. In the end, costs need to be allocated to singular units of item. It appoints normal expenses to every unit, and is the opposite extreme of Job costing which endeavors to quantify singular expenses of generation of each unit. Process costing is typically a huge chapter. Process costing is a sort of activity costing which is utilized to discover the expense of an item at each procedure or phase of production. CIMA characterizes process costing as "The costing method applicable where products or administrations result from a succession of ceaseless or dreary operations or forms. Expenses are

arrived at the midpoint of over the units created amid the period". Process costing is suitable for ventures delivering homogeneous items and, where creation is a continuous flow. A process can be alluded to as the sub-unit of an association explicitly characterized for cost collection reason.

The significance of process costing:

Costing is a significant process that numerous organizations take part in to monitor where their cash is being spent in the generation and circulation forms. Understanding these expenses is the initial phase in having the capacity to control them. It is significant that an organization picks the appropriate kind of costing framework for their item type and industry. One sort of costing system that is utilized in specific ventures is process costing that changes from different kinds of costing (such as occupation costing) somehow or another. In process costing, unit costs are progressively similar to midpoints, the process-costing framework requires less accounting than carries out a responsibility order-costing framework. In this way, many organizations want to utilize process-costing framework

Chapter 1. Theoretical bases of Process costing in manufacturing companies

The goal behind costing methods is to decide the expense of an alleged cost object. This is frequently cost unit, for example typically sometimes one piece of product. Specifically, the costing is utilized to esteem stock, for instance with the end goal of their appropriate bookkeeping, item valuation, the executives of stock and even of the whole undertaking.

The way toward assembling or giving services can be exceptionally assorted; hand the product or services may vary from one of a kind items (services) to indistinguishable items produced in extensive scale or large-scale manufacturing. Therefore, various methods for costing might be suitable in various circumstances.

AVAILABLE COSTING METHODS

Depending the creation method and the cost item, namely fundamentally kind of products to which costs are determined:

Operation costing - utilized where creation process is tedious and fabricated items are undefined. It includes:

- Unit costing
- Process costing

Specific or explicit costing – utilized where every creation activity is specific, explicit and one of a kind. It incorporates:

- Job costing
- Contract costing
- Batch costing

Process costing is one of the term, which utilized in cost bookkeeping to depict one technique for gathering and assigning fabricating expenses to the units created. A process cost framework is utilized when almost indistinguishable units are mass delivered. (Job costing or job order costing is a framework used to gather and dole out assembling expenses to units that change from each other.)

This sort of costing is utilized for items that experience diverse procedures. For instance, the assembling of clothes includes a few procedures. The first and main procedure is turning. The yield of that turning procedure, yarn, is a completed item, which can either be sold available place like a market to weavers, or utilized as a crude material for a weaving procedure in a similar assembling unit. Finding the expense of that yarn, one needs to decide the expense of the turning, spinning procedure. After the first process, the yield of the weaving procedure, material, can likewise can be sold as a completed item in the marketplace. For this situation, the expense of material should be assessed. The third procedure is changing over the fabric to a completed item, for instance a pair of pants. Each procedure that can result in either a completed decent or a crude material for the following procedure must be assessed independently. In such multi-process enterprises, process costing is utilized to find and determine the expense at the each phase of production.

Kohler characterizes process costing as a technique for bookkeeping whereby costs are charged to procedures or activities and found the middle value of over units created. It is utilized primarily where a completed item is the consequence of a persistent task, as in paper factories, refineries, canneries and compound plants; recognized from job order costing, where costs are allotted to explicit requests or order, parcels or units.

Procedure costing is valuable or observed to be most reasonable for enterprises occupied with ceaseless assembling of items in mass in which the units of items are uniform and cannot be separated.

It might be received in associations delivering a solitary good in mass, or a gathering type of results of various sorts. It is reasonable for the accompanying ventures: chemical work, sugar plants, oil refining, materials, distilleries, textiles, elastic and tanning works, packaging organizations, pressing, mining, gas fabricating, electric supply endeavors, sustenance handling and natural product canning, and so on.

Highlights:

The particular element of procedure costing is that the unit expenses of items are resolved for the separate procedure through which the units pass. All expenses identifying with a procedure are charged to a different record, and after that found the middle value of out to decide the expense per unit.

At the point when an item go through a few procedures, the absolute expense of one procedure is exchanged to next procedure. To these expenses are included the extra expense of materials, work, and overheads, and the all-out expense exchanged until creation is finished and completed items turned out.

Process costing has some specific futures. They are given in the below:

1. The production ought to be continuous.
2. The products are homogeneous.
3. The process should be standardized.
4. The product gotten from one process is the raw material for next process.

5. The product obtained the final process department is going to the finished warehouse.
6. The costs are assembling process by process.

Favorable circumstances of Process Costing:

1. Procedure costing helps assurance of expense in each procedure and of the last item at short interims. In the event that overhead rates are foreordained, unit expenses can be figured all around immediately even at week by week or month to month.

2. The normal expense can be effectively decided when the strategies for creation are institutionalized. Value citations can be submitted all the more speedily with institutionalization of procedures.

Notices:

3. It includes less administrative work and cost than employment costing. Cost finding is more straightforward and more affordable.

4. Distribution of costs can be effectively made and the expenses in each procedure precisely decided.

5. Utilization of standard costing framework is extremely compelling in procedure costing.

6. The execution investigation and administrative control is encouraged to a more noteworthy degree as result of the accessibility of cost information as brief and exact cost reports.

Restrictions of Process Costing:

Commercials:

1. Process costing depends on recorded expense. The accessible cost data may not be helpful for future administrative basic leadership.

2. Incomplete units (work in procedure) toward the finish of the period are communicated in proportionate generation units. This presents abstract component in logical cost assurance.

3. The entire idea of process costing framework depends largely expenses. Normal expenses don't generally mirror the genuine expenses. On the off chance that there is a mistake in cost assurance in one procedure, it will influence the cost estimation in consequent procedures just as the expense of work in procedure and completed items.

4. Whenever at least two items are delivered in a similar procedure, the joint expenses are allocated to the different items utilizing some weightage state as far as focuses. Giving weightage regarding focuses is an emotional choice, which will offer ascent to inexact expenses and can't be taken as completely dependable. Nonappearance of logical base makes the procedure costing deficient for administrative purposes.

5. Procedure costing framework presumes that generation movement of a manufacturing plant is separated by procedures. A procedure is an authoritative substance or segment of a firm, in which explicit and tedious work is finished. In this way, a procedure turns into a down to earth unit for motivation behind supervision of creation and regularly it is an inadmissible unit for cost bookkeeping purposes.

Similitudes

Job order costing and procedure costing frameworks are comparative in three different ways:

1. The assembling cost components. Costing frameworks track three assembling cost components— both direct materials, direct work, and assembling overhead.

2. The collection of the expenses of materials, work, and overhead. Both costing frameworks charge crude materials to Raw Materials Inventory; plant work to Plant Labor; and assembling overhead expenses to Manufacturing Overhead.

3. The stream of expenses. As noted above, the two frameworks amass all assembling costs by charges to Raw Materials Inventory, Factory Labor, and Manufacturing Overhead. The two frameworks at that point allocate these expenses to similar records—Work in Process, Finished Goods Inventory, and Cost of Goods Sold. The strategies for allotting costs, nevertheless, vary together. These distinctions are clarified what's more, represented later in the section.

Contrasts

The contrasts between an occupation request cost and a process-costing framework are as per the following.

1. The quantity of work in procedure accounts utilized. A vocation request cost framework utilizes just a single Work in Process account. A process cost framework utilizes numerous work in procedure accounts.

2. Reports used to follow costs. An occupation request cost framework charges expenses to singular employments and condenses them in a vocation cost sheet. A procedure cost framework condenses costs in a creation cost report for every division.

3. The time when costs are totaled. An occupation request cost framework sums costs when the activity is finished. A procedure cost framework aggregates costs toward the finish of a timeframe.

4. Unit cost calculations. In an occupation request cost system, the unit cost is the all-out expense per work isolated by the units created. In a procedure cost framework, the unit cost is all out assembling costs for the period partitioned by the units created amid the period.

In procedure costing, the procedure is the cost (not normal for occupation costing where each activity is cost independently). The technique utilized is to take the complete expense of the procedure and normal it over the units of generation.

Essential terms to get it

In the manufacturing procedure the quantity of units of yield may not really be equivalent to the quantity of units of sources of info. There might be a misfortune.

Ordinary misfortune

This is the term used to depict ordinary anticipated wastage under normal working conditions. This might be because of reasons, for example, dissipation, testing or then again rejects.

Strange misfortune

This is the point at which a misfortune happens well beyond the typical anticipated misfortune. This may be because of reasons, for example, defective product or mistakes by workers.

Anomalous increase

This happens when the genuine misfortune is lower than the ordinary misfortune. This could, for model, be because of more noteworthy productivity from recently bought product.

Work in advancement (WIP)

This is the term utilized to present units, which are not yet complete total toward the finish of the period. Opening WIP is the quantity of

inadequate units toward the begining of a procedure and shutting WIP is the number toward the finish of the procedure.

Scrap esteem

Once in a while the result of a misfortune can be sold for a little esteem. For instance, in the generation of screws there might be a misfortune, for example, metal wastage. This might be sold to a piece shipper for an expense.

The cost inputs usually includes:

1. Direct costs:

Direct labor costs

Direct material expense

2. Indirect costs (overheads)

- production nondirective costs (production overheads)
- production nondirective material costs (material overheads)
- production nondirective labor expenses (labor overheads)
- production nondirective costs

By the way, we know that all costs include direct and indirect costs affect the cost and price of goods. In every process, all these costs enter the accounts. Direct material expenses are as one with direct labor costs and potentially direct costs some portion of direct (prime) costs. Similar to their part, they are straightforwardly and unmistakably recognizable with cost object (typically item or administration). That implies they are the expenses directly connected with the production procedure of explicit items.

Instances of direct material costs: cost of crude materials, parts and segments used to fabricate and finish the item and essential bundling.

Since the production varies from industry to industry, or even from business to business it is hard to set up a point-by-point rundown of direct material expenses. There are typically just a few general records and definitions (see for example above) which can fathom their significance. In this manner, the last definite grouping is up to the element.

Directive labor costs are as one with direct material expenses and potentially direct costs some portion of direct (prime) costs. Similar to their part, they are straightforwardly and plainly recognizable with cost object (typically item or administration). That implies they are the expenses directly connected with the creation procedure of explicit item.

Directive labor costs specifically incorporate wages of laborers however for instance too:

- Wages rates non-production staffs in the event that they work recognizable time only underway
- Wages rates of value control work force

Extent of directive labor costs on absolute expenses is diminishing a result of the expanded mechanization.

Indirect expenses are costs not legitimately and unmistakably recognizable with cost object (typically item or administration). Together with direct (prime) costs they structure all out expenses of the substance. Roundabout expenses can be both fixed and variable, production and non-creation or outside and inward.

They are regularly called as an overhead. Regardless of whether (and how) the terms vary is a topic of exchanges yet here guess they are the equivalent.

Although roundabout expenses are not directly inferable from the item, a few or the majority of the expenses can be some way or another assigned to it. There is a wide scope of costing techniques and distinctive strategies might be proper for various elements depending for the most part on the sort of production procedure.

DIVISION OF INDIRECT COSTS (OVERHEADS)

Production roundabout costs (creation overheads)

Production circuitous material costs (material overheads)

Production indirect labor expenses (labor overheads)

Production roundabout costs

Non-production roundabout expenses (overheads)

Regulatory indirect expenses (managerial overheads)

Selling indirect expenses (selling overheads)

Delivering indirect expenses (conveyance overheads)

Cost is something that can be characterized in a few different ways relying upon its character or nature. A standout amongst the most prominent strategies is characterizing them into fixed expenses and variable expenses. Fixed expenses don't change with increases/diminishes in units of creation volume, while variable expenses are exclusively reliant in the volume of pieces of production. Fixed and

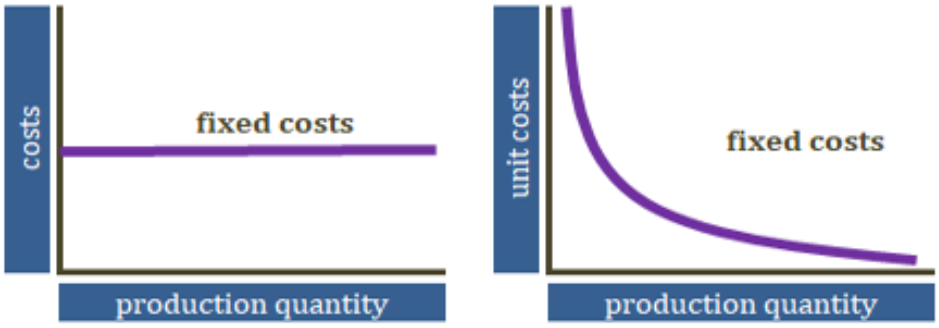
variable expenses are key terms applicable in managerial bookkeeping that are utilized in different types of examination of financial reports.

-Definition of costs. Variable costs that differ/change contingent upon the organization's production volume, but fixed costs that don't change in connection to creation volume.

-At the point when Production Increases all the variable costs increase and all the fixed cost remains the same.

-At the point when production is decreasing, absolute variable costs are declining, but total fixed cost remains the same position because of its character.

Fixed cost is just fixed and does not change when company produces more or less product. Fixed cost doesn’t depend on the volume of production. Either company produces or not to create a product doesn’t affect the amount of total fixed cost. But we can make a note that only total fixed cost is the same. When we produce a lot, the fixed cost per unit will decrease. Fixed cost per units depends on the production quantity. Lets look at the graph in the below:



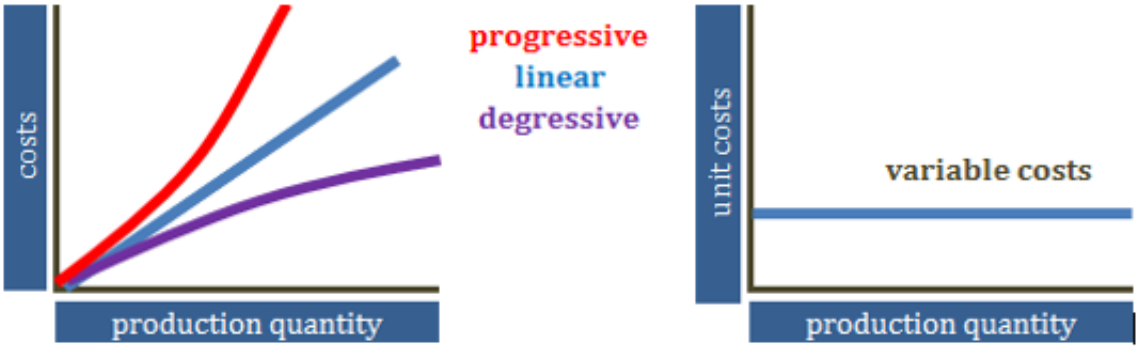
Picture 1.

Examples*:* Chief Financial Officer's salary, rent, coverage cost or depreciation cost of production, administrative costs, selling premises, and advertising expenses, executive's life insurance etc.

Variable expenses are costs that being different with the creation volume. On the off chance that the dimension of production diminishes, all the variable costs decline also and the other way around. Be that as it may, unit variable expenses stay unaltered with the changed production volume. Inverse to variable expenses, variable cost per unit is fixed expenses. Note, please look at the Picture 2.

Variable expenses can shift and are subject to time since they are straightforwardly identified with the assembling of the items. Note that, in the event that you broaden your time period, all expenses including fixed expenses become variable in principle or in the theory. Why? Because since you can discover < better deals >, high lease versus low lease or high compensations versus low compensations.

Variable expenses are legitimately associated with the movement and activity, for example, crude materials, vitality, energy, impermanent labor costs or rented representatives expected to fabricate the product.



Picture 2.

Variable expenses can be three growth:

Linear (direct, proportionate) – if production is rising, costs increment in a similar extent and unit costs stay unaltered ; for example essential crude material.

Progressive or dynamic – if the creation increment, costs increment all the more rapidly and unit costs increment; for example premiums for movements or extra amounts of time.

Digressive – if the generation increment, costs increment all the more gradually and unit costs decline; for example material costs when purchasing in mass.

Let us give an example. We should remain that SAB Company makes autos and it costs the organization $250 to make one guiding wheel. To maintain its business, the organization brings about $550,000 in rental charges for its plant, fabric space.

We should investigate the organization's expenses relying upon the organization's dimension of production, namely we will make a note all the costs include variable and fixed costs in the below separately:

Number of cars produced	Variable cost per steering tire	Total variable cost TVC	Total fixed cost
1	230 $	230 $	100 000 $
50	230 $	11 500 $	100 000 $
100	230 $	23 000 $	100 000 $
150	230 $	34 500 $	100 000 $

- Formula for Variable Costs

Total variable cost = Total quantity of product * Variable cost per unit of product

In our example, we did the calculation like that:

TVC = number of cars * variable cost per steering tire

Instances of the businesses where this kind of generation happens incorporate oil refining, nourishment creation, and substance handling. For instance, how might you decide the exact cost required to make one gallon of flight fuel, when a large number of gallons of a similar fuel are spouting out of a refinery consistently? The cost of bookkeeping system utilized for this situation is process costing.

Process costing is the main sensible way to deal with deciding item costs in numerous enterprises. It utilizes the greater part of a similar diary sections got in a line of work costing condition, so there is no compelling reason to rebuild the diagram of records to any huge degree. This makes it simple to change over to a vocation-costing framework from a procedure-costing one if the need emerges, or to receive a crossbreed approach that utilizes segments of the two frameworks.

Example of Process Costing Accounting

As a procedure costing precedent, ABC International produces purple gadgets, which require handling through numerous creation offices. The primary division in the process is the throwing office, where the gadgets are at first made. Amid the long stretch of March, the throwing division causes $50,000 of direct material expenses and $120,000 of change costs (involved direct work and industrial facility overhead). The office forms 10,000 gadgets amid March, so this implies the per unit cost of the gadgets going through the throwing division amid that timespan is $5.00 for direct materials and $12.00 for change costs. The gadgets at that point move to the cutting division for further work, and these per-unit costs will be conveyed alongside the gadgets into that office, where extra costs will be included.

Kinds of Process Costing

There are three kinds of procedure costing, which are:

1. Weighted normal/average costs.
2. Standard costs
3. First in first out (FIFO) costing

Weighted normal/average costss. This adaptation accept that all costs, regardless of whether from a previous period or the present one, are lumped together and relegated to delivered units. It is the least complex rendition to figure.

Standard expenses. This variant depends on standard expenses. Its computation is like weighted normal costing, yet standard expenses are doled out to creation units, as opposed to genuine expenses; after absolute expenses are amassed

dependent on standard costs, these sums are contrasted with real aggregated expenses, and the thing that matters is charged to a difference account.

First-in first-out costing (FIFO). FIFO is an increasingly intricate computation that makes layers of costs, one for any units of creation that were begun in the past generation time frame yet not finished, and another layer for any creation that is begun in the present time frame.

There is no toward the end in, first out (LIFO) costing strategy utilized in procedure costing, since the fundamental suspicion of procedure costing is that the main unit delivered is, truth be told, the primary unit utilized, which is the FIFO idea.

Why have three diverse cost figuring techniques for procedure costing, and why utilize one form rather than another? The diverse computations are required for various cost bookkeeping needs. The weighted normal technique is utilized in circumstances where there is no standard costing framework, or where the vacillations in expenses from period to period are slight to the point that the supervisory crew has no requirement for the slight improvement in costing exactness that can be acquired with the FIFO costing strategy. On the other hand, process costing that depends on standard expenses is required for costing frameworks that utilization standard expenses. It is likewise valuable in circumstances where organizations assembling such an expansive blend of items that they experience issues precisely relegating real expenses to each kind of item; under the different procedure costing systems, which both utilize real expenses, there is a solid shot that costs for various items will move toward becoming combined. At long last, FIFO costing is utilized when there are progressing and noteworthy changes in item costs from period to period – to such a degree, that the supervisory group has to know the new costing dimensions with the goal. This goal it can re-value items fittingly, decide

whether there are interior costing issues requiring goals, or maybe to change director execution based remuneration. When all is said in done, the least complex costing approach is the weighted normal strategy, with FIFO costing being the most troublesome and difficult.

Cost Flow in Process Costing

The regular way in which costs stream in procedure costing is that immediate material expenses are included toward the start of the procedure, while every single other cost (both direct work and overhead) are slowly included through the span of the creation procedure. For instance, in a sustenance handling task, the immediate material, (for example, a cow) is included toward the start of the activity, and afterward different rendering activities step by step convert the immediate material into completed items, (for example, steaks). A procedure cost framework relegates fabricating costs for crude materials, work, and overhead to work in procedure accounts for different divisions or assembling forms. It exchanges the expenses of units finished from one office to another as those units travel through the assembling process. The framework exchanges the expenses of finished work to Finished Goods Inventory. Finally, when stock is sold, the system exchanges expenses to Cost of Goods Sold.

How to make the journal entries to appoint fabricating costs in a procedure cost framework? Entries to dole out the expenses of crude materials, workforce, and overhead comprise of a good representative for Raw Materials Inventory, Factory Workforce, and Manufacturing Overhead, and a charge to W. in Process for every division. Entries to record the expense of products exchanged to another division are a worthy representative for Work in Process for the office whose work is done and a charge to the office to which the commodities are exchanged.

The passage to record units finished and exchanged to the stockroom is a credit for the office whose work is done and a charge to Finished Goods Inventory. The section to record the closeout of merchandise is a good representative for Finished Goods Inventory and a charge to Cost of Goods Sold.

There are five stages in the process costing strategy. When we calculate the costs of products process by process we will steps in the below.

Five Steps for Process Costing are these:

1. Examine stock flow. (From where to where)

2. Convert in-process stock to proportionate units

3. Process every pertinent expense (calculate the costs that happened)

4. Compute the expense per unit of completed and in-process stock

5. Distribute expenses to units of completed and in-process stock.

Let's explain steps that abovementioned in the process costing. In the first place, investigate the cost-flow model of an important stock record to decide how much stock was there toward the start of the period, what amount of inventory was begun amid in the period, how much as finished amid the period, and what amount is left as work-in-process toward the finish of the period.

Second, convert the work-in-process finishing stock into various equal units created. This implies if there are 1,200 units of stock in work-in-process, and these units are for the most part half of total complete, at that point you consider this as what might be compared to 600 units created (600 = 0.50 x 1,200).

Third, register the all-direct and backhanded expenses brought about by the creation procedure that should be appointed to the units finished and the units still in procedure. This incorporates the expenses related with the starting stock and the expenses brought about amid the applicable period.

Fourth, figure the measure of cost relegated to the finished units of yield and what might be compared to finished units of yield still in the closure stock. For instance, on the off chance that an organization finished 3,000 units, and left 1,000 units half-completed, at that point partition the material expenses by 3,500 units.

Fifth, apportion the significant expenses to the units of item finished and to the units of item staying in the work-in-process account.

We know theoretical parts of process costing system. If we want to improve what we know, we need to look at the examples and cases of the process costing for it.

Chapter 2. Cases of the Process Costing

CASE 1

John and Jane's Homemade is one of the "hottest" and "coolest" U.S. companies. Based in Texas, Dallas, the sundae company, which started in 1978 from a garage, turned one of the public company. Preparing an ice cream is process —product movement from a mixture department to a preparing department to the department of pint. The mixture department is the place where the sundaes are made. In the preparation section the production process puts in extras such as strawberries and peanuts to make different and wide ranged sundaes into "Straw Garcia," John & Jane's most outstanding flavor, and may be fudge covered a wafer cone piece and a dizzy of chocolate for "Choco Dream," one of J & J's fresh and newest tastes. The department of pint is that place which the sundaes are indeed put into tracks and containers. When the product, namely, sundaes are processed from one of the departments to the following department, the applicable materials, workforce, and production overhead are integrated to the expense of sundaes.

"The ingredients that included the sundaes from the process of shipping and accepting departments are kept in decided appointments, either in the refrigerators or dry store," says the staffing accountant in John and Jane's Company. "When some items may be ingredients are added to the product, then the costs related to ingredients associated with them." Afterwards, we will have a question: How many sundaes are produced by us in our plant? When our plants work like an o'clock, eighteen millions of gallons are produced a year by the company. The John and Jane's Company uses the system of process costing. With the system of process costing, accountant can say to you about how much cost – materials, workforce, and

manufacturing overheads we have and we used in the process for making certain amount of sundaes in every department of production. Accountant make some reports and give them to the director of production department. While doing it, he does not try to overdo that. Accountant says, that you can enter a dead end with numbers, if you are creating a report that nobody can use, it will be just a wild goose chases. Still, John and Jane's production people, namely, producers wonder how efficient and effective they are. They do not be aware of the advantages using process-costing system. The advantages of process costing are these:

- This system gives an opportunity to compute costs periodically by the ending of certain process.
- It is basic and simple.
- Consequently, costs for one unit can be calculated with ease based on the average of the total cost, and price offers can be easier.
- Managerial keeping on the product and supervision turn out to be easier.

CASE 2

This problem considers the case of having a begining inventory and also having an ending inventory. According to this problem we are going to solve the problem using the weighted average method and also using the first in first out method, and also according to this problem we are going to consider the availability of transferred in cost therefore as we can see this is an integrative problem that we are going to solve in order to see how we are going to apply the process costing on such a case. Consider we have 4 various departments. İn this case we are going to focus upon only one department –

Drying and Packaging department which is the last department. The first thing we need to consider in the process costing system is to classify the costs according to when they are added to the production process. Let us the direct materials are added at the end of the process. Conversion costs are added evenly on to the process. We are going to consider all the costs for this problem to be related to one specific period lets say week 38. The costs and information that is provided are given in the below:

Beginn. WIP – 1200

Transfer. costs – $ 26750

Direct materials – $ 0

Conversion cost – $ 4020

Transferred in – 4200 units

Completed prod. Transfer. out – 4000 units

Ending WIP – 1400 units

TOTAL COSTS ADDED	T-in	Direct material	Conversion cost
	$ 91 510	$ 23 000	$27 940

Therefore, as we can see here we have a begining WIP by a number of 1 200, we have transferred in from the Pan Boiling Department 4 200 units, the completed and transferred out 4 000 units, and the ending WIP is 1 400. The costs that we incurred in the previous period which is week 37 that would be transferred costs twenty six thousand seven hundred and fifty, direct material is zero, and conversion costs are four thousand and twenty. Also the costs that were added in this period in week 38 is as follows ninety one thousand five hundred and ten as transferred in costs and costs twenty

three thousand as direct material costs and twenty seven thousand nine hundred and forty as conversion costs.

Now let us consider the percentage of completion for the beginnning WIP and the ending WIP hundred percent. Therefore for the begining WIP the direct material would be because as we know or as the case says that the direct material are added at the end of production process. Therefore if it took the direct materials it would be finished, so because we have it as begining WIP which means it is not finished yet. Because of that, the direct material or the percentage of the completion for the direct materials would be zero percent. Of course, this was unknown and we have just deduced it from the question therefore zero percent as direct material percentage of completion. The conversion cost is twenty-five percents . Ending WIP is hundred percent also unknown in the question also unknown the direct materials because we have it as an ending WIP therefore it is not finished and we know that the direct materials are added at the end of production process. So the direct materials for the ending WIP would be zero percent or the percentage of completion in regard of the direct materials would be zero percent. The conversion cost is given fifty percent. This is the information that is given according to the case. We can see here we have only two stated let us say classification of costs; the first one is the direct materials because it is added at the end of the production process or manufacturing process and conversion cost is the second category because it is added evenly onto the production process. Of course we have another category which is not said wihin the problem itself which is the transferred in costs. Transferred in costs are always added at the begining of the production process. Transferred in costs

are our costs that are incurred in the Pan Boiling Department in the previous Department.

The first requirement: Using Weighted Average calculate total cost for week 38.

Therefore we need to perform our five step procedures because they need to assign the cost to the ending WIP and to the transferred out units or to the finished goods units, that's why to the warehouses that has been transferred to the warehouse. Because of that, we need to start with the five step procedure. Why do we need to use five step process, procedure? Because as we said in the previous pages, we have ending WIP. Because of having an ending WIP we need to use five-steps procedures and because of having a begining WIP we need to designate or determine that inventory valuation method that needs to be used. According to the question the first requirement is to use the weighted average. That's why, let us start with our step, step number 1 would be the summarization of physical units. We need to answer to the question where did physical units come from and where did they go. Thereby let us start with step one. Of course, the best way to apply the steps is according to the schedules that we made a note in the first chapter. Step one which is the physical or summarization of the physical units is as follows:

Step 1

	Physical units
W. in P. Begining	1 200
Transferred in during the current period	4 200
Total of units to account for	5 400

Second question – where did they, these units, go?

Completed and transferred out	4 000
W. in P. Ending	1 400
Total units accounted for	5 400

As we can see here that to account for and accounted for are equal.

Now let us consider step number two. Step number 2 is the calculation of the equivalent units for these physical units. Of course we can see here because we are using the weighted average method we did not separate among the cost and we are not going to separate among the units that were started in previous months or previous periods and units that were started or transferred in in this period. İnasmuch as we are using the weighted average method. Needless to say, now we are when we are going to consider the first in, first out method , we will separate between the two. Now let us take into account step 2 which is the equivalent units.

Step 2

	Transferred İn	Direct material	Conversion cost
Comp & transf Out	4 000	4 000	4 000
W. in P. Ending	1 400	0	700
Total equivalent unit	5 400	4 000	4 700

This is the end of step number two. We are not using the weighted average we did not separate between the units that has been transferred in the previous month or the previous period and the units that has been transferred in this current period. İn this case, we did not separate between the costs that were incurred in the previous period and the costs that were incurred in this period. Therefore in calculating our equivalent units we have calculated our equivalent units according to the all or they were all that all of the work that has been done untill this date whether it was in the previous periods or in this period. By the way, in the FIFO method, we shall calculate the equivalent units according to the work done in this period only, but here as we can see we did not separate between the work done in this period and the work done in the previous periods.

Now let us consider step number three, four and five. Step number three is the summarization of the total costs to account for. We can see here from our case, we have begining WIP and as well as the cost that has been incurred in this period, therefore these are the costs that we are going to account for. Hence, we will start with the WIP begining to step three;

Step 3

	Total production Costs	Transferred in costs	Direct material	conversion cost
W. in P. Beg	$ 30 770	$ 26 750	$ 0	$ 4 020
Costs added in the current period	$ 142 450	$ 91 510	$ 23 000	$ 27 940
T costs to acc for	$ 173 220	$ 118 260	$ 23 000	$ 31 960

Step number 4 is calculating the cost per equivalent unit. İn the weighted average method we are going to divide the total costs, all costs whether incurred in this period or in the previous periods by the total equivalent units whether divided by the equivalent units for the work done in all periods. So, in step number 4 the costs incurred up to date which is the last step in step number three, and total costs will be divided by equival units. We are going to take the numbers as they are:

Step 4

	Transferred in costs	Direct material	conversion cost
Costs İncurred up to date	$ 118 260	$ 23 000	$31 960
Equival. unit	5 400	4 000	4 700
cost per equival. unit	$ 21.9	$ 5.75	$ 6.8

In step 4 we took the costs incurred untill today, and we divide them by equivalent which we found out in step 2. And we got the cost per equivalent unit for each of transferred in cost, conversion and direct material cost.

After calculating the cost per equivalent unit we need to assign the costs to two different categories – the ending WIP and the completed and

transferred out. Because of knowing the equivalent units for these two categories and we know the cost per equivalent unit, so we can assgin the costs without any problems. And we are approaching to the end of steps. Now we will calculate step number 5. Step number five which is the last step is the assignment of costs we are going to start with the completed and transferred out category. For completed and transferred out category we have four thousand units multiplied by the cost per units twenty one point nine, we have four thousand units for the second category of direct materials multiplied by five point seven five, and we also have four thousand units for the last category, multiplied by six point and eight dollars. We will continiue like these:

Step 5

Assignment of cost

	Total	transf. İn	DM	Convers. cost
Completed & transf. out		4 000	4 000	4 000
Cost per unit		21.9	5.75	6.8
	137 800	87 600	23 000	27 200
W. In P.		1 400	0	700
Cost per unit		21.9	5.75	6.8
	35 420	30 660	0	4 760
Total cost	173 220	118 260	23 000	31 960

accounted for

We can see from the abovementioned total cost accounted for in step 5 and total cost to acc. for are equal an equal to $ 173 220.

İf we need to journalize our entries, it would be the first thing would be the consideration od direct material costs. Therefore, it would be WIP this is the Drying and Packaging Department.

W. in P. – Drying and packaging	23 000	
Account payable		23 000

This is the summary entry, of course our entries in the accounting department would be first of all, journalization of the purchase of the direct marerials and then the use of the direct materials. But this is only a summary entry that summarizes both entries into or onto only one entry. Now let us regard to the conversion costs WIP for the drying and packaging deparment to various accounts by the amount of twenty seven thousand nine hundred and forty.

W. in P. – Drying & packaging	27 940	
Var. Account		27 940

Now at the end we have completed and transferred out from the drying and packaging deparment onto or into the warehouses four thousand units with the cost of 137 thousand eight hundred, therefore finished goods inventory because this is the last department, so after this department there would be no WIP anymore. İt would be finished goods, for that reason, the finished goods inventory to WIP drying and packagings department by the amount of one hundred and thirty seven. thousand eight hundred.

Finished Goods inv.	137 800	
W. in P. - D&P		137 800

These are the journal entries to be considered. İf we are going to show or let us say see what would be the WIP like in the general ledger, T-account it would be as follows:

Dr	WIP D & P	Cr	
Beginning balance	30 770	137 800	Finished goods
Costs added	142 450	35 420	Ending balance

Now, let us do the same but with the FIFO method. You can tell if this department uses the FIFO, the department should also use the FIFO method in order to have the consistency within the organization. According to the question using the FIFO, they change only two numbers. Therefore, we are going to change only transferred costs and transferred in costs in the total costs added. Afterwards, our new numbers for transferred cost will be 28 920 and another number for transferred in cost in the total costs added will be 93 660 according to the case and all the other information is as the same.

At this moment, considering the FIFO the same procedure step number one till step number five. Let us start with step number one which is the physical units.

Step 1

Physical units

Beg. WIP	1 200
Transf. in during	
Cur. period	4 200
Total units to acc. for	5 400

It is not different from weighted average method, so this is the total units to account for. Now let us answer to the second question, where did they go. Of course, we know that 4 000 is the completed and 1 400 as ending, but here in the FIFO we need to designate the 4 000. What is the origin of the 4 000? Was it started in this month and ended or finished in this month or was it started or transferred in in the previous month and finished in this month? Therefore, we are going to assume that firstly we have finished the 1 200 units and then the remaining units of the 4 000 units were transferred in this period and finished in this perriod. For that, completed and transferred out during the current period will be like that:

Comp & Trans out Dur. current period	
From beginn. WIP	1 200
Trans in & comp	2 800

As we can see two thousand eight hundred plus one thousand two hundreds

is the four thousand. It is the same with four thousand that was given in the question. At the last, the WIP ending would be the same one thousand four hundred without any problems. Therefore, the total physical units to account for or that has been accounted for is five thousand four hundred.

From begin. WIP	1 200
Trans in & comp	2 800
WIP ending	1 400
Accounted for units	5 400

Now, step number 2 - calculation of equivalent units

We are going to calculate the equivalent units for the work done in this period, only in this period. Because we will separate between the costs that were incurred in the previous perriod and assign these costs directly to the completed and also transferred out while as the cost that are incurred in the this period or within this current period would be divided on the completed and transferred out and the ending WIP. Therefore, the transferred in took 100 percent in the previous period, so in this period it took 0 %. Direct materials took 0 % in the previous year or the previous month, that is why it took 100 %. Conversion costs took only 25 % in the previous period, hence in this period it took 75 %. (1200 * 75%).

Transferred in and completed the 2 800 would be two thousand and eight hundred for all the categories why because these units have been transferred in in this period and finished in this period too. Therefore, all the costs that are incurred in for this category are incurred within this period.

Step 2 – equivalent unit

	Trans. In	DM	Conversion c
From begining WIP	0	1 200	900
Trans in & comp	2 800	2 800	2 800
WIP ending	1 400	0	700
Total equivalent unit	4 200	4 000	4 400

Let us pass to step number three which is the summarization of the total cost to accont for which is the same step without any change as the weighted average. We are going to start with the begining WIP again.

Step 3- summarzation of the total costs to account for

	Total	Trans. In	DM	Conv. cost
Beg. WIP	32 940	28 920	0	4 020
Costs added cur. Period	144 600	93 660	23 000	27 940
T cost to acc. for	177 540	122 580	23 000	31 960

Step 4 as we know is the calculation of the cost per equivalent unit. In FIFO, we are going to calculate the equivalent units for the work done in this period only; therefore, we will divide not the total cost but we are going to divide the cost that are only added within this period. Accordingly, the costs that are added in the current periods is as follows:

Step 4

	Trans. In	DM	Conv. cost
Costs added cur.			
Period	93 660	23 000	27 940
Equivalent			
Units	4 200	4 000	4 400
	22.3	5.75	6.35

After the step number 4, we will pass step number 5 which is the our last step which is the main objcetive of any process costing system the assigning of or assignment of costs on to the ending WIP and the completed and transferred out. Therefore, we have currently two categories. We have the compl. and transfered out. This is the firts category. Of course, this first category will be assigned to different costs. The first would be the costs that were incurred in the previus period and second would be the expenses that were incurred in the current period. So the WIP begining will be the same with number in step 2. After that we will add on these costs that were incurred to complete the begining WIP and to start and finish the two thousand and eight hundred units as completed and transf. out. Lets show all we said in before:

Step 5

Assign. of costs

	Total	Trans. In	DM	Conv. cost
1) Comp&transf out				
WIP beginn.	32 940	28 920	0	4 020

Costs added on the				
Beginn. inventory	12 615	0*22.3	1 200*5.75	900*6.35
Costs of beg.	45 555	28 920	6 900	9 735
Transf in&compl	96 320	2 800*22.3	2 800*5.75	2 800*6.35
Total costs for compl&				
Transf out	141 875	91 360	23 000	27 515
2) End.WIP	35 665	1400*22.3	0*5.75	700*6.35
Costs acc. for	177 540	122 580	23 000	31 960

At the end, we got the same thing. Our costs accounted for in step 5 and total costs to acc. for were equal.

Chapter 3. Results of the case about Process Costing in manufacturing company and experts' opinions

Previous chapters give us the information on the theoretical and practical bases. We know that, process costing is suitable for organizations that produce a consistent mass of like unit sthrough arrangement of activities or procedure. Likewise, when one order does not influence the generation procedure and an institutionalization of the procedure and item exists. Be that as it may, if there are significantdifferences among the expenses of different items, a process costing framework would not provide adequate item cost data. Costing is commonly utilized in such ventures, for example, oil, coal mining, synthetic compounds, materials, paper, plastic, glass, and nourishment.

Sometimes theory and really do not be the same. İ got some information from the experts in this sector and tried to clarify how process costing in reality.

Now let use show you all of the comments that I got from the some experts. There are some questions and their answers:

I. In your opinion, why do a small number of companies use the process costing in Azerbaijan?

Deputy Dean Elsever Ibadov: Using process costing or other methods in correct administrative system is going through to know correctly that system. Unfortunately, some of them do not know how to use, and the rest of them does not have an opportunity for determining the costs according to that method. May be one reason is that they do not have a professional accountant.

Another reason may be not even aware that something. By the way, some of them are doing right not to use from process costing, because some products do not carry mass character. There are some companies, which is related to production based on order. Therefore, these companies will choose job order for determining the costs. For example, for "Embawood" using the process costing is suitable, because this company makes approximately 100 units furniture. If company is busy with the mass production, that company will use process costing. In contrast, a small furniture company does not have technologic facilities either. They are working based on the order. They get an order, go there, and take a measure of the place for the furniture. After these processes, company produces furniture based on the order and calculates the costs used in the production according to the customer's choice and wish. At the end, if we summarize what we said, some of the companies really do not need to use this method, another part of them does not know that either they need to it or they do not have any resource as we said professional staff.

PhD Tehmasib Huseynov: Entrepreneurship in Azerbaijan is divided into 4 groups: Micro, Small, Medium and large.

They are not used in micro enterprises; they are also not used in small business enterprises. It is applied in very small number of medium and relatively large enterprises. Nevertheless, it is not widespread. The main reason for this is that enterprise managers do not require the application of this method (there is little information about it), lack of enterprise marketing strategy, lack of an environment to explore fully the market environment.

Teacher Senan Huseynzada: In Azerbaijan, production sector is not specialization and there is a little complex production. The number of big companies, which have a mass production is so less. I think that the most

reason is that. Another reason may be some of them do not have a clue how to utilize, and the remainder of them does not have an open door for deciding the expenses as per that technique. May be one reason is that they do not have an expert bookkeeper. Another reason might be not even mindful that something. Coincidentally, some of them are doing well not to use from process costing, since certain items do not convey mass character.

Associate Professor Firudin Sultanov: First of all, production needs to comply with process costing. For this, the company must have mass production and homogeneous products. There are few areas built in Azerbaijan, and they are also agricultural. Agriculture is also not suitable for process costing. There are a number of furniture firms. However, some of them are also suitable for using process costing. Small and medium-sized furniture companies usually operate on an order basis and use the job order. İn Azerbaijan, a small number of companies that comply with process costing lead to less use of process costing.

Teacher Nesimi Nuriyev : İn Azerbaijan, in some companies. It is difficult to divide the costs according to the categories, separations to variable and also fixed costs, taking separately administrative costs and determining the amounts of costs that used in manufacture. These processes are weak in Azerbaijan. It depends on the accounting system. In our companies accounting system has an insufficiency. All these problems and lack depend on the weakness of the financial accounting. The most common reason for these problems is the fact that financial accountings are not develop enough. GILAN Holding start to this process currently. In Azerbaijan big companies like Pasha Holding, AZERSUN Holding started to this process.

II. Why do they prefer determining the total cost of product but not determining process-by-process (steps)?

Deputy Dean Elsever Ibadov: In fact, if we are sensitive to the subject, there is no difference between the result of total costs and the result of costs that determining with the process by process. Although, both of the results, they choose to calculate total costs at the end. Because calculating the costs with the process by process is difficult. Determining of each of the steps, process, and each units is hard. Nevertheless, if they have a total system, they enter all total costs into that system. Afterwards, they can get information that, in which process how much part of the total costs is used. That system is doing it. If they want to do it, it will be difficult for themselves. So, in my opinion, the first reason of that I have seen until today is not direct costs, namely, workforce and material costs. The first reason is the total costs. The division of the total costs is as we said difficult, so when they cannot do it that, in which process what costs we are, they will prefer determine the total costs in the end. Another reason may be having a lot of total employees and total equipment more than standard. For example, in Coca-Cola we can see just a producing of bottle, filling of water and finally, and packaging processes. All these processes are separate, so it can be easy. However, if we takes a one company, which is not specialization they have only one saw blade and they use it in many processes. Therefore, it is difficult for that company how many hours saw blade worked in let us say cutting process and how many hours it worked in installing process. Companies like these use calculating the total costs because the information obtained by this method is not worth the effort.

Teacher Tehmasib Huseynov: When it came to calculating the cost of sales in the management accounting, there was FIFO, AVCO method.

As a result of the lack of interest in the enterprise and, in principle, the phased implementation of accounting is not conducive to the enterprise (so it requires time and manpower for the enterprise), IT generally calculates the cost at the end. Just can be based on effective? As with the time value of money, there is a time value in its cost. For example, you can evaluate any product in advance. Nevertheless, during the period of activity, inflammation can occur. At this time, the price of your product and the costs will increase. In another case, suppose that in any of the stores operating in the country, products are purchased and placed in the warehouses. However, as mentioned above, during the period of activity, inflammation occurs, and as a result, the price of goods and products increases. At the same time, the store sells the product at an affordable price in accordance with the conditions of inflammation, although it is Cheaper than before, that is, in the current situation. Here the company, that is, the purpose of the store, is to insure itself. Thus, it sells products more expensive due to the high cost of the products it will receive in the future. That is, briefly trying to maximize the profit of the store. As far as I know, companies have two goals: maximizing profits and increasing market share. (If the company chooses to maximize its meaning, it may be cruel. Again, let us look at an example. For example, the company bought goods from three manats a year ago, and then there was inflammation. Thus, if these products are sold for five manats, the new ones will cost six manats. In this case, the company will buy cheap and get expensive. However, if the goods purchased before are sold at a higher price, then the problem will not arise when buying new goods.) As far as I know, enterprises have two functions: social and economic. Social function to create new jobs and economic function to make profit. That is, the more profits the

company has, the more it will pay taxes. On the basis of these taxes, a state budget is formed.

Associate Professor Firudin Sultanov: This is the weakness of the accounting system. İn process costing, it is necessary that the accounting system of the company should be also correct so that it can handle it. They prefer the calculation of total costs of products. Because, using from the process costing is difficult. For doing it, they should have an ERP system. Nowadays, in Azerbaijan, some companies implement the process costing using the UNITY and LOGO programs. If these programs do not be in the company, calculating the costs that going one department to another department will be difficult. Those companies have to care the finance and their accountancy. Deciding of every one of the means, process, and every unit is hard. Overall, in the event that they have an absolute framework, they enter every single all out expense into that framework. A while later, they can get data that, in which process how much piece of the all out expenses is utilized. Organizations like these utilization computing the all out expenses in light of the fact that the data gotten by this strategy does not merit the exertion.

Teacher Nesimi Nuriyev: In micro and middle companies, they do not consider that the analysis of the costs is not big deal. That is, briefly trying to maximize the profit of the store. As far as I know, companies have two goals: maximizing profits and increasing market share. If the company chooses to maximize its meaning, it may be cruel.

Process costing makes it simple to get and foresee the normal expense of an item, enabling exact evaluations to clients. Contrasted with other costing techniques, for example, action based costing; process costing is modest and does not deplete the association's time and assets.

Teacher Senan Huseynzada: First reason for me is the lack of experience in companies. Some director does not understand why they are doing process costing. Second reason, implementation of process costing system requires more qualified accounting and engineering system. If company wants to implement process costing to their production, they should have a strong engineering knowledge and they should have qualified accountants working together with the system of engineering. It is more expensive system, so companies in Azerbaijan need investments. The third reason can be shortage of professional staff. The company should provide the staff with the professional ones who came from abroad. Again, it will be expensive.

III. What are the advantages of process costing system?

Deputy Dean Elsever Ibadov: using process costing system require more professional and quicker production. If we are going to manufacture the same crops, we will determine the costs that we will know in separate phases. Eventually, if we are a big company, it means we also have a large scale production. So I think that if company does not work based on the order it will use process costing for assigning the costs. And by the way, utilizing of process costing will give an opportunity and advantage to the companies, which uses this method that they can assing costs for one unit can be calculated with ease based on the average of the total cost, and price offers can be easier. In addition to, there are extra advantages like being cost effective, warning of costs in advanced, and a few differences between expected costs and planned costs. Advantages that is came from using the process costing also bring advantages to the company.

PhD Tehmasib Huseynov: If the company uses process costing, it will certainly have a number of advantages. For example, the costs will be optimal, the product will be able to determine the cost more accurately and correctly calculate the market share to remove competitors from the market and competitors will have acquired market share. Because I have just mentioned that this is related to marketing, that is, information is transferred to the marketing department and, as a result, the decision is made based on it.

Associate Professor Firudin Sultanov: When they make a report, they will know that how many they have like a raw materials, how many things going from raw materials to products. The company will organize and form cost of products correctly. If company uses process costing, cost of crops will be precise and it is the most crucial issue that I can say. In this case, in the each of process, fixed cost and various expenses will be definite. In another word, this will decrease the volume of information, and makes information gathering simple and speedy. If the company calculate the cost of crops, then it will get competitive advantages or competitive ability of the market will increase. The company sells the products with the loss no matter, it will know how many it is loss. As I said before, it is significant issue.

Teacher Nesimi Nuriyev: A procedure-costing framework is a method utilized inside the assembling business to decide the absolute generation cost of a unit of product. It is especially utilized in conditions where generation goes through numerous cost focuses. For instance, creation inside a substantial company may necessitate that item travel through more than one division, for example, acquisition, fabricating, quality affirmation and dispersion. Every one of these offices has its very own financial limit.

Subsequently, a process-costing framework must be set up to incorporate the particular expenses attempted by each gathering. The execution of a process-costing framework accompanies numerous points of interest.

Process costing makes it easy to obtain and predict the average cost of a product, allowing accurate estimates to customers.

Compared to other costing methods, such as activity based costing, process costing is inexpensive and does not drain the organization's time and resources.

Teacher Senan Huseynzada: For companies, which produce homogenous products using process costing is an ideal choice or system. The quantity of production does not enter the production and does not out of production at the same time, and sometimes production stops, because of that being a semi-finished product makes them use and implement process costing. They should calculate separately the cost of goods that going to the production cost of products that is out of product and the costs of semi-finished product. When they produce, sometimes differences can happen in the price of raw materials. So company can sell the product per unit for five previous period, and can sell the product per unit for 4 dollars. Therefore, company must know the cost of products for the period. In this case, process costing give an opportunity for determining the cost of products.

IV. What are the disadvantage, lack or any problems of process costing system?

Deputy Dean Elsever Ibadov: Procedure costing is preferably appropriate for homogeneous items, and neglects to give an accurate estimate of item costs when a solitary procedure produces numerous things or various

edition of a same thing. It likewise stays appropriate just for mass procedure works and not for modified orders. Apportionment of joint expenses to differing items may prompt unreasonable estimating choices in such cases. While process costing empowers planning standard costs, the expenses got are notable and not current, and their utilization for administrative basic leadership stays constrained.

Teacher Nesimi Nuriyev: The expense got toward the finish of the bookkeeping period is authentic in nature and is of little use for compelling administrative control. Since procedure cost is normal cost, it may not be precise for investigation, assessment and control the execution of different divisions. When a mistake is submitted in one procedure, it is conveyed to the consequent procedures. Procedure costing does not assess the productivity of individual specialists or chief. The calculation of normal expense is troublesome in those situations where more than one kind of item is fabricated. Process costing is ideally suited for homogeneous products, and fails to provide an accurate estimate of product costs when a single process produces many items or different versions of a same item. It also remains suitable only for bulk process works and not for customized orders. Apportionment of joint costs to diverse products may lead to irrational pricing decisions in such cases. While process costing enables budgeting standard costs, the costs obtained are historic and not current, and their use for managerial decision-making remains limited.

PhD Tehmasib Huseynov: In my opinion, there is no a big minus for the enterprise. Therefore, the accounting is the mirror of the estate. The more detailed and accurate we take the accounting, the better our results will be. Therefore, the use of various analyzes and methods can not be negatively assessed. The absence is a minus, that is, we can judge as a defect. It is clear

that everything stands out in the competition. For example, in enterprises operating in Turkey, several types of one products are produced. We can show an example of the candy or chocolates. Companies tend to incur costs because there is a lot of competition here. As I mentioned in the above questions, companies want to increase their market share. At this time, marketing and management tend to implement accounting. At the moment, there are several programs. There is LOGO, 1C and GUNESH. In 1C software, this is much better. Because it is able to conduct data analysis. In Turkey, more and more logos are used. There are a lot of technical problems in the LOGO. LOGO and Unity programs, so that all the analysis itself is analyzed. In practice, I did not notice that SAP is used. So companies do not prefer it because it is expensive software. More than 1C solar and finance applications are used. FINANS not only provides financial statements, but also financial statements and analysis while 1C and GUNESH. Nevertheless, there is still a need for Human Resources.

Conclusion:

Subsequent to examining this part you ought to have the capacity to: recognize procedure and occupation costing; clarify the bookkeeping treatment of ordinary and irregular misfortunes; get ready procedure, typical misfortune, unusual misfortune and anomalous increase accounts when there is no end work in advancement; compute the estimation of work in advancement, finished creation and strange misfortune utilizing the weighted normal and first-in, firts-out techniques for esteeming work in advancement; perceive that ordinary misfortunes ought to be charged just to those units which have passed the investigation point; separate between the diverse expense per unit computations which are vital for stock valuation, basic leadership and execution announcing for cost control. All of them are abovementioned. If we summarize all we said, we can bring a conviction like these: In Azerbaijan, some of the companies use process costing which have a production of homogenous products and mass production. It has some advantages, lack and disadvantages, problems, perspectives. They are as follows:

✓It is important to have a competitive environment in the market for the growth and increasing of the number of companies using process costing.

✓Process costing is not possible to change. It is also unnecessary to change. The system of process costing is cost and time effective.

✓Compared to other costing methods, such as activity based costing, process costing is inexpensive and does not drain the organization's time and resources.

✓The perspective is automation of this system. The costs of each stage should be automatically recorded in the program, and the program must demonstrate how much material costs and how much labor it has. After that, it should be sent to

the accountancy. Accounting should simply control it. Therefore, the application of the IT is crucial.

✓Process costing summarizes all costs, along these lines requires less record keeping.

In actuality, the motivation behind utilizing the overview is to discover the contrast between the theory or hypothesis and the truth, yet the reason for utilizing expert's comments and opinions is to become familiar with the causes and settlement of the truth.

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