**Types of Costing**

**Job Order Costing**
- For work that is broken down into jobs and each job is tracked separately
- Each job or batch is significantly different from other jobs or batches.
- Labor and material are entered on a job ticket and overhead is added.

**Process Costing**
- For a large quantity of identical products that are mass-produced
- DM and DL are assigned to batches with overhead allocation.

**Absorption vs. Variable Costing**
- Absorption or Full Costing includes those costs associated with the product itself.
  - DM, DL and VMOH and FMOH (all associated with manufacturing)
  - All selling and administrative are not included in inventory.
- Variable costing is for managerial accounting only.
  - Variable costs are those costs that vary with volume.
    - DM, DL, VMOH and VSGA are variable costs
    - Include parts, packaging, labor, sales commissions
  - All fixed costs (FMOH and FSGA) are in the fixed category
    - Total fixed costs are same apart from # of units
    - Unit fixed costs goes down as production goes up.
    - Includes managers and executives salaries, insurance, advertising, taxes, maintenance, utilities, depreciation
  - Unit variable costs stay the same, but total variable costs vary with number of units
- A Relevant Range is the # of units that can be produced or sold under normal circumstances
  - Vary due to seasonal demand (sales) and factory capacity (production)
  - Going beyond the relevant range requires additional resources.
- Mixed costs have a variable & a fixed portion that can be separated using the **high-low method**.
  - Used to find variable cost per unit and total fixed costs from a range of cost data
  - Use the equation of a slope of a line to find m variable cost per unit.

<table>
<thead>
<tr>
<th>High point total cost</th>
<th>Low point total cost</th>
<th>Change in costs</th>
<th>Change in activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>High point # units</td>
<td>Low point # units</td>
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</tbody>
</table>

- The above gives the slope of the cost line \( (m) \) the variable cost per unit \( (Y=mx +b) \)
- Take either the high or low point \( (X \) is # of units, \( Y \) is total cost) and plug in the slope found above to solve for the fixed costs \( (b) \).