

# CONTENTS

<i>Introduction</i>	xi
<b>1 The Nature of Clothing Manufacture and the Need for Costing</b>	<b>1</b>
Introduction	1
What Is Clothing Manufacture?	1
Two Important Questions	2
From Manufacture to Sourcing	4
Exercises and Activities	5
<b>2 The Elements of Cost</b>	<b>7</b>
Introduction	7
Classification of Cost	7
Direct Costs	8
Indirect Costs—The Overheads	13
Summary of the Elements of Cost	15
Exercises and Activities	15
<b>3 Costing Over Periods of Time</b>	<b>21</b>
Introduction	21
Period Cost Reports	21
Capital Equipment Costs	22
Depreciation: The Straight-Line Method	23
Stocks and Inventory	25
Value of the Work in Progress	28
Period-End Adjustments	29
Exercises and Activities	32
<b>4 Product Cost—Job Costing</b>	<b>37</b>
Introduction	37
What Is Job Costing?	37
Treatment of the Direct Costs	37
Treatment of the Overheads	39
Absorption of Production Overheads	40
Cost Centres	42
Absorption of Non-Production Overheads	42
Example of a Job Cost	43
Over- and Underabsorption of Overheads	44
Process Costing	46
Exercises and Activities	47

<b>5</b>	<b>Global Awareness and New Markets</b>	<b>51</b>
	Introduction	51
	The Global Supply Chain	51
	Barriers and Facilitators in Market-Entry Strategies	52
	Global Communication	52
	Purchase Order	53
	Lead Times	55
	Critical Path	59
	Exercise	60
<b>6</b>	<b>Product Cost When Sourcing</b>	<b>61</b>
	Introduction	61
	Global Sourcing	61
	Range Planning	62
	Factories	63
	Shipping and Incoterms	63
	Exercise: Overseas Cost Sheets	66
<b>7</b>	<b>Marginal Costing</b>	<b>71</b>
	Introduction	71
	Variable Costs	71
	Fixed Costs	72
	Semi-Variable Costs	72
	Contribution	73
	Treatment of the Semi-Variable Costs	75
	Case Study	76
	Exercises and Activities	78
<b>8</b>	<b>Break-Even Analysis</b>	<b>83</b>
	Introduction	83
	Establishing the Break-Even Point	83
	Break-Even Tabulation	83
	Break-Even Chart	85
	Margin of Safety	87
	Profit/Volume Chart	88
	Break-Even Point by Calculation	88
	Break-Even Illustration	89
	Exercises and Activities	91
<b>9</b>	<b>Budgeting and Standard Costing</b>	<b>93</b>
	Introduction	93
	Budgeting	93
	The Cash Budget	94
	Sales Lag	96
	Flexible Budgets	97
	Zero-Based Budgeting	98

Standard Costing	99
Variance Analysis	99
Direct Materials	101
Causes of Direct Materials Variances	103
Direct Labour	104
Causes of Direct Labour Variances	106
Overheads in Standard Costing	107
Advantages and Disadvantages of Standard Costing	107
Exercises and Activities	108
<b>10 The Changing Nature of Cost</b>	<b>111</b>
Introduction	111
From Traditional to Advanced Manufacturing Technology	111
Just-in-Time	113
Component Manufacture and Assembly	113
Summary of Changes in Costs with the Move into Advanced Technology	114
Cost Behaviour Change	116
Service Industries	116
Activity-Based Costing	116
Exercises and Activities	117
<b>11 Activity-Based Costing</b>	<b>119</b>
Introduction	119
Activity-Based Costing	119
Advantages and Disadvantages of ABC	125
Activity-Based Budgeting	126
Exercises and Activities	126
<b>12 Capital Investment Decisions</b>	<b>131</b>
Introduction	131
The Capital Cost	131
Accounting Rate of Return	132
Net Cash Inflows	133
Payback Period	133
Discounted Cash Flow	135
Discounted Payback Period	136
Conclusions	139
Exercises and Activities	141
<i>Bibliography</i>	147
<i>Answers to Exercises</i>	149
<i>Index</i>	167