

## ICAG BUSINESS LESSONS (WEEK 26)

### Good morning

This is week 26 of the year 2022 in the Gregorian calendar. 26 weeks remain until the end of the year.

### MONDAY MOTIVATION

Do whatever brings you to life, then. Follow your own fascinations, obsessions, and compulsions. Trust them. Create whatever causes a revolution in your heart.

- *Elizabeth Gilbert*

### MANAGEMENT QUOTE OF THE WEEK

Management is nothing more than motivating other people.

- *Lee Laccoca*

### MANAGEMENT CONCEPT OF THE WEEK: STANDARD COSTING

**Standard cost** is a predetermined unit cost based on expected direct materials quantities and expected direct labour time, and priced at a predetermined rate per unit of direct materials and rate per direct labour hour and rate per hour of overhead.

Standard costs of products are usually restricted to production costs only, not administration and selling and distribution overheads.

Overheads are normally absorbed into standard production cost at an absorption rate per direct labour hour.

**Standard Costing** is a system of costing in which all units of product or service are recorded in the cost accounts at their standard cost, and the value of inventory is based on standard production cost.

Standard costing may be used with either a system of absorption costing or system of marginal costing.

#### Uses of Standard Costing

Standard costing has four main uses:

- a. It is an alternative system of cost accounting. In a standard costing system, all units produced are recorded at their standard cost of production.
- b. When standard costs are established for products, they can be used to prepare budget.

- c. It is a system of performance measurement. The difference between standard costs (expected costs) and actual costs can be measured as variances. Variances can be reported regularly to management, in order to identify areas of good performance or poor performance.
- d. It is also a system of control reporting. When differences between actual results and expected results are large, it could be an indication that operational performance is not as it should be, and that the causes of the variance should be investigated. Management can use the variance reports to identify whether control measures might be needed to improve poor performance or continue with good performances.

When there are large adverse variances, this might indicate that actual performance is poor, and control action is needed to deal with the weaknesses.

On the other hand, when there are large favourable variances, and actual results are much better than expected, management should investigate to find out why this has happened, and whether any action is needed to ensure that the favourable results continue in the future

### **THIS WEEK IN HISTORY- TOP 10 EVENTS**

**27/06/2019** - Chief Apple designer Jony Ive, designer of the iMac and the iPhone, announces he is leaving Apple after 30 years

**27/06/2017** - Petya malware cyber-attack affects organisations in more than 64 countries

**28/06/2015** - Greek Credit Crisis: Greek government says banks closed for a week and ATM withdrawals restricted after European Central Bank refused to supply emergency funds

**28/06/1979** - OPEC raises oil prices 24%

**29/06/2007** – Apple Inc. releases its first mobile phone, the iPhone.

**30/06/2009** - Turkey records its fastest contraction of 13.8% in the first quarter of 2009 compared to 2008, leading the country into recession; this is Turkey's biggest economic slump since 1945

**30/06/1995** - Exxon signs a \$15.2-billion deal to develop oil and gas fields near Russia's Sakhalin Island

**01/07/2008** - Denmark is the first European economy to confirm it is in recession since the global credit crunch began; its GDP shrinks 0.6% in the first quarter after a 0.2% contraction in the fourth quarter of 2007

**01/07/2002** - The International Criminal Court is established to prosecute individuals for genocide, crimes against humanity, war crimes, and the crime of aggression

**01/07/1960** - Ghana becomes a republic

*Have a fruitful week and a Happy Republic Day!*

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Please send all comments and suggestions to **Alhassan Trawule** on **0242 732976**.

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