**Introduction**

Tasty Cookie Store will offer Benne Wafers in South California, USA. Products to be offered by the company will be of premium quality. The company will implement a high technology production system for efficient production system and product costing method for accurate cost & price information. This paper aims to review how product costing methods and changes in production will affect business decisions of Tasty Cookie Store.

**Impact of Product Costing Methods and Changes in Production on Business Decisions**

**Part 1: Business Description, Mission Statement, and Products**

Tasty Cookie Store is going to start business in South California, USA for meeting Benne Wafers demand of local people. Benne wafers are small, thin, light, and crispy sesame seed cookies with nutty, sweet aroma with a milk-like, buttery taste.

Mission statement can be defined as a statement that states why the Company exists, what purpose it serves, and how it contributes or adds value for various parties (Corporate Finance Institute, 2020). Mission statement of Tasty Cookie Store is -

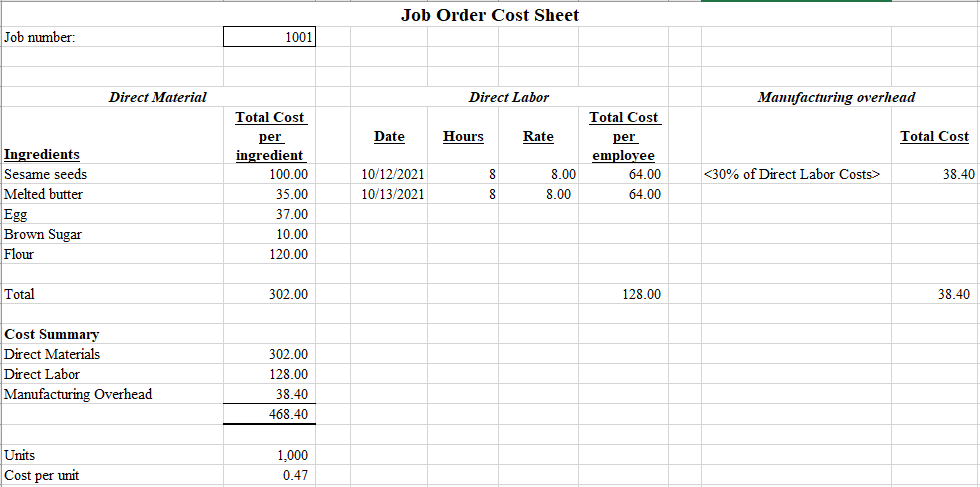
*“To bake and serve best quality Benne Wafers prepared with premium ingredients and healthier environment, and offer excellent customer service”.*

Tasty Cookie Store will offer premium quality product with higher price. It will offer variety of Benne wafers with nutty and caramel taste. Main ingredients of Benne wafers include sesame seeds, melted butter, brown sugar, egg, vanilla extract, flour, salt, and baking powder (All Recipes, 2021). Benne wafers are prepared by toasting sesame seeds on a baking sheet for minutes until lightly browned, and then adding toasted sesame seeds to a combination of melted butter, brown sugar, egg, vanilla extract, flour, salt, and baking powder. Small scoops of mixture are then baked on a lightly greased baking sheet. After removing the cookies from the oven, these will be allowed to cool. Finally, Benne wafers are packaged. The production process is handled by two employees.

**Part 2: Costing and Sales Information for 1000 Cookies**

Top five ingredients of Benne wafers include sesame seed, melted butter, eff, brown sugar, and flour. Total cost to be incurred for sesame seed, melted butter, eff, brown sugar, and flour for producing 1000 cookies are $100, $35, $37, $10, and $120 respectively. Total direct raw materials cost for producing 1000 cookies is estimated as $302. Total estimated direct labor cost $128 in consideration of 8 working hours of two employees for two days and wage rate of $8.00 per hour. Estimated manufacturing overhead cost is $38.40 (30% of direct labor costs). Total estimated production cost for 1000 Benne wafers and per unit production cost of Benne wafers are $468.40 and $0.47 respectively. Estimated selling price of Benne wafers is $ 0.55 given 17.42% mark-up.

**Figure 1: Job order Cost Sheet for 1000 Benne Wafers**



Three main processes in production of Benne wafers include Process # 01: Toasting sesame seeds, Process # 02: Adding toasted sesame seeds to other ingredients and baking, and Process # 03: Packaging. These processes are handled by three separate departments including Toasting Department, Mixing Department, and Packaging Department. Total estimated cost and per unit cost calculated and to be transferred for next department (Mixing Department) are $285 and $0.43 respectively.

**Figure 2: Process Costing of Toasting Department**



**Part 3: Comparison and Contrast of Job Costing and Process Costing**

Job costing is a costing system where production costs attributable to a specific unit or job are accumulated (Williams, Bettner, & Carcello, 2020). Under this costing, prime cost assigned to direct material and direct labor for an individual job are tracked. Job costing is used when operation is discrete, production involves few units, and product units are readily identifiable (Williams, Bettner, & Carcello, 2020).

Process costing is a costing system where production costs across various stages of production (termed as processes), which are distinguishable, are accumulated (Williams, Bettner, & Carcello, 2020). Under this costing, prime cost assigned to various stages of productions are tracked. Process costing is used when operation is continuous, production involves large volume of units, and product units are fungible (Williams, Bettner, & Carcello, 2020).

Process costing will provide more useful information to Tasty Cookie Store. Benne wafers production takes place in large volume. Benne wafers units are identical and production process undertakes on continuous basis. Thus, process costing is most suitable costing method for Tasty Cookie Store. With process costing, Tasty Cookie Store will have better information through –

* Accumulating and tracking of prime costs at different stages of production.
* Accumulating and tracking of prime costs at short intervals.
* Value addition information at different stages/processes of production.

**Part 4: Impact of Revenue with Change in Number of Cookies Sold**

Total revenue of Tasty Cookie Store will increase if total number of Benne Wafers sold can be increased. Revenue of a company can be determined by multiplying total number of Benne Wafers with per unit Benne Wafer. Given no change in per unit Benne Wafer, total revenue will be increased if total number of Benne Wafers increases.

**Conclusion**

Tasty Cookie Store will offer variety of Benne wafers with nutty and caramel taste. Its production process is fully computerized and handled by two employees. Top five ingredients of Benne wafers production include sesame seed, melted butter, eff, brown sugar, and flour. Estimated production cost for 1000 Benne wafers and per unit production cost of Benne wafer are $468.40 and $0.47 respectively. Estimated cost and per unit cost calculated and to be transferred for next department (Mixing Department) are $285 and $0.43 respectively. Process costing will be most suitable costing method for Tasty Cookie Store. Total revenue of the company will increase if total number of Benne Wafers sold can be increased.

# **References**

*All Recipes*. (2021). Retrieved December 05, 2021, from Benne Wafers: https://www.allrecipes.com/recipe/11215/benne-wafers/

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