# PRODUCT COSTING FAQ

## DBA Manufacturing Product Costing

### 1 Isn't actual costing more accurate than absorbed costing?

DBA uses absorbed costing. Material, labor, subcontract, and overhead are absorbed into inventory cost so transactions can be processed in real time.

**Absorbed costing is efficient because it supports real-time processing without delaying the workflow.**

Overhead is never truly 'actual.' It is always allocated, so calculated shop rates are the most practical basis.

Actual labor costing is tedious and inconsistent. Work center labor rates provide a stable and useful cost basis.

Exact material cost would require waiting for supplier invoices. DBA uses PO receipt cost and posts small invoice variances to Inventory Adjustments.

**Absorbed costing is practical, timely, and effective for manufacturing.**

### 2 Are period end inventory adjustments needed?

DBA maintains perpetual real-time Inventory and Work in Process, so the period-end quantity and cost adjustments typical in non-WIP systems are not needed.

On-hand quantities update in real time from receipts to stock, issues to jobs, and picking for shipment, so no period-end quantity adjustment is required.

Item receipt costs already include absorbed direct labor and manufacturing overhead, so no period-end cost adjustment is required.

Inventory and Work in Process accounts are self-adjusting and should never be changed by journal entry, because that breaks the link to the underlying transactions.

**Real-time processing and absorbed costing eliminate the need for period-end adjustments.**

### 3 Are alternative costing methods available?

**No. DBA is designed around absorption costing within a WIP accounting system.**

Using other costing schemes undermines WIP accounting and weakens results. For DBA to work properly, use absorbed costing as prescribed.

### 4 Can we keep using non-inventory parts for costing and expensing?

**No. Physical items should be set up as stock items, not descriptors.**

Using non-inventory parts to represent stock items breaks inventory control, absorption costing, and the manufacturing workflow.

### KEY TAKEAWAY

Use absorbed costing, stock items, and demand-driven planning to support accurate costing, real-time processing, and reliable WIP accounting.