Project

Name

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After reviewing the financial statements of the Ford motor company, it is evident that the company profits increased in the last financial years as compared to the 2014 financial year. From the analysis, it can be established that the company has being using some costing method to allocate resources in various activities. One method that the company uses is the activity based costing method. This is a costing method that they implemented so as to be able to focus on the value of their various process. It emphasized the need for step by step analysis to check whether the various steps brought any value to the company. Activity bases costing method enable an organization make an informed decision by availing the necessary tools (Zeuner, 2012).

The ford Motor Company has being using the activity based costing method to remain competitive in the automobile industry. This is a method that has being attributed to success. Various companies have benefited from the use of this method. The method is beneficial to companies with notable amounts of overheads. Therefore, a company with little overheads does not need to apply this method (Zeuner, 2012). Application of the activity based cost method gives a company a chance to enjoy better profits in its financial years as it is the case in Ford motor company. Long term application of this method gives a company the chance to gather more data which is very helpful to the management of the company as they make decisions about the various processes in the normal operations of the company. This type of costing methods is appropriate for the automobile industry because it identifies the wasteful products thus eliminating their use. Additionally, this method leads to improved business process thus it is deemed to be very appropriate for this industry (Zeuner, 2012).

References

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