Costing

Cost estimate

on 27 May 2025 Society of Cost Engineers, [https://societyofcostengineers.com/what-is-should-costing/ What is Should Costing?}, accessed on 20 July 2025

A cost estimate is the approximation of the cost of a program, project, or operation. The cost estimate is the product of the cost estimating process. The cost estimate has a single total value and may have identifiable component values.

The U.S. Government Accountability Office (GAO) defines a cost estimate as "the summation of individual cost elements, using established methods and valid data, to estimate the future costs of a program, based on what is known today".

Potential cost overruns can be avoided with a credible, reliable, and accurate cost estimate.

Activity-based costing

Activity-based costing (ABC) is a costing method that identifies activities in an organization and assigns the cost of each activity to all products and

Activity-based costing (ABC) is a costing method that identifies activities in an organization and assigns the cost of each activity to all products and services according to the actual consumption by each. Therefore, this model assigns more indirect costs (overhead) into direct costs compared to conventional costing.

The UK's Chartered Institute of Management Accountants (CIMA), defines ABC as an approach to the costing and monitoring of activities which involves tracing resource consumption and costing final outputs. Resources are assigned to activities, and activities to cost objects based on consumption estimates. The latter utilize cost drivers to attach activity costs to outputs.

The Institute of Cost Accountants of India says, ABC systems calculate the costs of individual activities...

Cost accounting

cost accountants include standard costing and variance analysis, marginal costing and cost volume profit analysis, budgetary control, uniform costing

Cost accounting is defined by the Institute of Management Accountants as "a systematic set of procedures for recording and reporting measurements of the cost of manufacturing goods and performing services in the aggregate and in detail. It includes methods for recognizing, allocating, aggregating and reporting such costs and comparing them with standard costs". Often considered a subset or quantitative tool of managerial accounting, its end goal is to advise the management on how to optimize business practices and processes based on cost efficiency and capability. Cost accounting provides the detailed cost information that management needs to control current operations and plan for the future.

Cost accounting information is also commonly used in financial accounting, but its primary function...

Job costing

before the preparing of the job cost or batch manufacturing statement. Job costing (known by some as job order costing, a subset of which is project accounting)

Job costing is accounting which tracks the costs and revenues by "job" and enables standardized reporting of profitability by job. For an accounting system to support job costing, it must allow job numbers to be assigned to individual items of expenses and revenues. A job can be defined to be a specific project done for one customer, or a single unit of product manufactured, or a batch of units of the same type that are produced together.

To apply job costing in a manufacturing setting involves tracking which "job" uses various types of direct expenses such as direct labour and direct materials, and then allocating overhead costs (indirect labor, warranty costs, quality control and other overhead costs) to the jobs. A job profitability report is like an overall profit & loss statement for...

Total absorption costing

Absorption costing is a means of incorporating a fair share of indirect cost or overheads into the cost of a unit of product or service provided. A costing method

Total absorption costing (TAC) is a method of Accounting cost which entails the full cost of manufacturing or providing a service. TAC includes not just the costs of materials and labour, but also of all manufacturing overheads (whether ‘fixed’ or ‘variable’). The cost of each cost center can be direct or indirect. The direct cost can be easily identified with individual cost centers. Whereas indirect cost cannot be easily identified with the cost center. The distribution of overhead among the departments is called apportionment.

Marginal cost

economics, marginal cost (MC) is the change in the total cost that arises when the quantity produced is increased, i.e. the cost of producing additional

In economics, marginal cost (MC) is the change in the total cost that arises when the quantity produced is increased, i.e. the cost of producing additional quantity. In some contexts, it refers to an increment of one unit of output, and in others it refers to the rate of change of total cost as output is increased by an infinitesimal amount. As Figure 1 shows, the marginal cost is measured in dollars per unit, whereas total cost is in dollars, and the marginal cost is the slope of the total cost, the rate at which it increases with output. Marginal cost is different from average cost, which is the total cost divided by the number of units produced.

At each level of production and time period being considered, marginal cost includes all costs that vary with the level of production, whereas costs...

Cost

motivation. Average cost Cost accounting Cost curve Cost object Direct cost Fixed cost Incremental cost Indirect cost Life-cycle cost Non-monetary economy

Cost is the value of money that has been used up to produce something or deliver a service, and hence is not available for use anymore. In business, the cost may be one of acquisition, in which case the amount of money expended to acquire it is counted as cost. In this case, money is the input that is gone in order to acquire the thing. This acquisition cost may be the sum of the cost of production as incurred by the original producer, and further costs of transaction as incurred by the acquirer over and above the price paid to the producer. Usually, the price also includes a mark-up for profit over the cost of production.

More generalized in the field of economics, cost is a metric that is totaling up as a result of a process or as a differential for the result of a decision. Hence cost is...

Target costing

determined by the target costing process. Target costing is a structured approach used to determine and achieve the total cost at which a proposed product—meeting

Target costing is an approach to determine a product's life-cycle cost which should be sufficient to develop specified functionality and quality, while ensuring its desired profit. It involves setting a target cost by subtracting a desired profit margin from a competitive market price. A target cost is the maximum amount of cost that can be incurred on a product, however, the firm can still earn the required profit margin from that product at a particular selling price. Target costing decomposes the target cost from product level to component level. Through this decomposition, target costing spreads the competitive pressure faced by the company to product's designers and suppliers. Target costing consists of cost planning in the design phase of production as well as cost control throughout...

Variable costing

period of production by incurring less cost than would be incurred under a variable costing system. Variable costing is generally not used for external reporting

Variable costing is a managerial accounting cost concept. Under this method, manufacturing overhead is incurred in the period that a product is produced. This addresses the issue of absorption costing that allows income to rise as production rises. Under an absorption cost method, management can push forward costs to the next period when products are sold. This artificially inflates profits in the period of production by incurring less cost than would be incurred under a variable costing system. Variable costing is generally not used for external reporting purposes. Under the Tax Reform Act of 1986, income statements must use absorption costing to comply with GAAP.

Variable costing is a costing method that includes only variable manufacturing costs—direct materials, direct labor, and variable...

Standard cost accounting

reduction campaigns are based on them. Traditional standard costing (TSC), used in cost accounting, dates back to the 1920s and is a central method in

Standard cost accounting is a traditional cost accounting method introduced in the 1920s, as an alternative for the traditional cost accounting method based on historical costs.