

# 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.

## 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 the metric used in the standard modeling paradigm applied to economic processes.

Costs (pl.) are often further described based on their timing or their applicability.

## 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 the resulting product life cycle. The cardinal rule of target costing is to never exceed the target cost. However, the focus of target costing is not to minimize costs, but to achieve a desired level of cost reduction determined by the target costing process.

## 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 and assign costs to cost objects such as products and services on the basis of the activities undertaken to produce each product or services. It accurately identifies sources of profit and loss.

The Institute of Cost & Management Accountants of Bangladesh (ICMAB) defines activity-based costing as an accounting method which identifies the activities which a firm performs and then assigns indirect costs to cost objects.

### Railway costing

*is possible to develop costing information for the railway. This costing information may be used to estimate the operating cost of a new line and to determine*

Railway costing is the calculation of the variable and fixed costs of rail movements. Variable costs are those that increase or decrease with changes in the traffic volumes or service levels and include fuel, maintenance and train crew costs, for example. Fixed costs are normally associated with items such as head office, interest charges and other overhead. Unit costs can then be calculated based on the expenses of the railway divided into standard categories.

### Kaizen costing

*continual improvement. Prior to kaizen costing, when the products are in the development phase, target costing is applied. After targets have been set*

Kaizen costing is a cost reduction system used a product's design has been completed and it is in production. Business professor Yasuhiro Monden defines kaizen costing as The maintenance of present cost levels for products currently being manufactured via systematic efforts to achieve the desired cost level.

The Shogakukan Dictionary's original definition of Kaizen is translated as “The act of making bad points better”. In English, the more popular definition of Kaizen is “Change for Better.” Many believe that the meaning of Kaizen is “continuous improvement,” but Kaizen is a result of continuous improvement. It exists at the employee level. The employee's goal is to reach their full potential, challenge the status quo and achieve continual improvement.

Prior to kaizen costing, when the products are in the development phase, target costing is applied. After targets have been set, they are continuously updated to display past improvements and the projected (expected) improvements.

Monden has described two types of kaizen costing:

Asset and organization-specific kaizen costing activities planned according to the exigencies of each deal

Product model-specific costing activities carried out in special projects with added emphasis on value analysis

Adopting kaizen costing requires a change in the method of setting standards.

Kaizen costing focuses on "cost reduction" rather than "cost control".

### 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 the firm, but is specific to each job number.

Job costing may assess all costs involved in a construction "job" or in the manufacturing of goods done in discrete batches. These costs are recorded in ledger accounts throughout the life of the job or batch and are then summarized in the final trial balance before the preparing of the job cost or batch manufacturing statement.

### Process costing

*quantities of homogeneous products. Process costing is a type of operation costing which is used to ascertain the cost of a product at each process or stage*

Process costing is an accounting methodology that traces and accumulates direct costs, and allocates indirect costs of a manufacturing process. Costs are assigned to products, usually in a large batch, which might include an entire month's production. Eventually, costs have to be allocated to individual units of product. It assigns average costs to each unit, and is the opposite extreme of Job costing which attempts to measure individual costs of production of each unit. Process costing is usually a significant chapter. It is a method of assigning costs to units of production in companies producing large quantities of homogeneous products.

Process costing is a type of operation costing which is used to ascertain the cost of a product at each process or stage of manufacture. CIMA defines process costing as "The costing method applicable where goods or services result from a sequence of continuous or repetitive operations or processes. Costs are averaged over the units produced during the period".

Process costing is suitable for industries producing homogeneous products and where production is a continuous flow. A process can be referred to as the sub-unit of an organization specifically defined for cost collection purpose.

### 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 manufacturing overhead—in unit product costs.

Costal

*Look up costal in Wiktionary, the free dictionary. Costal may refer to: an adjective related to the rib (Latin: costa) in anatomy Costal cartilage, a type*

Costal may refer to:

an adjective related to the rib (Latin: costa) in anatomy

Costal cartilage, a type of cartilage forming bars which serve to prolong the ribs forward

Costal margin, the medial margin formed by the false ribs

Costal surface (disambiguation)

Costal groove, a groove between the ridge of the internal surface of the rib

Costal vein, a type of insect wing segment in the Comstock–Needham system

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