

Theory and Practice of Cost Analysis

Table of Contents	Page
Purpose of this Book	7
A. Fundamentals of Cost Accounting	9
I Expense and Income - an Analysis of a Profit and Loss Account	9
II. Basic Terms of Cost Analysis	13
III. Imputed Costs	15
IV. Fixed Costs and Variable Costs	18
V. Individual Costs and Overhead Costs	20
VI. Fields of Cost Accounting	22
VII. Types-of-Cost Accounting: Basis for Rationalisation Measures	23
1. Rationalisation of Material Management by Material Vouchers and Piece Lists	24
2. Rationalisation by Logistics Management	26
3. Rationalisation by Fleet Management	27
4. Rationalisation by Management of Travel Expenses	28
5. Rationalisation by Facility Management	29
VIII. Cost Centre Accounting	30
1. Outsourcing	30
2. Management Buy-out	30
3. Franchising	31
4. Insourcing	31
IX. Unit-of-Output Costing: A Comparison between Full Costing and Direct Costing	32

	page
B. Introduction into Unit-of-Output Costing on a Partial-Cost Basis: Break-Even Analysis (Direct Costing)	34
I. Finding the Break-Even Point and Break-Even Turnover	35
II. Financing an Increase in Capital Investment	36
III. Planning an Increase in Profit	37
IV. Cancellation of a Preferential Price	38
V. Covering the Costs of an Advertising Campaign	39
VI. The Consequences of Cost and Price Variations	40
VII. The Impacts of a Decrease of Sales	42
VIII. Lowest Possible Prices	43
IX. Determination of the Ranking of Products	45
X. Relative Contribution Margins (Bottleneck Problem)	47
XI. Internal Production or Outside Purchasing? (Make or Buy?)	49
XII. Costs of Different Production Methods	51
C. Latest Developments of Cost Analysis	53
I. Quality Costs	54
1. Definition and Relevance of Quality	54
2. The Norm DIN ISO 9000 - 9004	54
3. Determining and Controlling of Quality Costs	55
II. Costs for the Protection of the Environment	56
1. Environmental Cost Accounting: Definition and Benefit	56
2. Procedure for the Introduction of Environmental Cost Accounting	57
3. Summary	58

	page
III. Target Costing	59
1. Causes for Target Costing	59
2. Advantages of Target Costing	60
3. The Realisation of Target Costing	60
IV. Activity Based Costing	62
1. The Origin of Activity Based Costing	62
2. How to Manage Activity Based Costing	63
3. Chances and Limitations of Activity Based Costing	64
V. The Future Relevance of Cost Accounting	65
VI. Results Accounting	69
1. Earnings of Market Sales	69
2. Earnings of Internal Sales	70
3. Increase in Stock	70
D. Exercises with Solutions	72
Exercise 1	72
Exercise 2	73
Exercise 3	75
Literature	76