



Costs

At first thought, it seems easy to determine costs. But there are a number of different cost concepts to consider, both from an accounting and a managerial decision-making point of view.

Actual: Costs which are incurred at the time a transaction takes place. These are historical costs, because they have actually taken place.

Budgeted: Future costs which are expected to take place over the coming period, based on forecasts and established goals.

Cost: The amount or equivalent paid or charged for something; outlay or expenditure (as of effort or sacrifice) to achieve an object.

Direct: Costs which are directly traceable to the cost of a service or department. The cases purchased to use in processing DVDs would be an example of a direct cost. A direct cost is a controllable cost if a specific manager has control over it. Only direct costs can be eliminated.

Fixed: Costs which do not change as the level of service or volume of work changes. The cost of a delivery van is fixed; it doesn't change regardless of the number of crates handled.

Full: Cost determination which takes into account both direct and indirect costs. How far you can and should go in determining a full cost will be a question to answer.

Indirect: Costs which are allocated or cannot be easily traced to an organizational objective, program or department. These costs are often "overhead costs" which are allocated to direct service programs. For example, the library's utilities and maintenance costs might be allocated, by square footage, to each department of the library. Allocation methods vary widely and always involve arbitrary methods. Managers need to know what they are. Indirect or allocated costs are usually noncontrollable.

Standard: Predetermined future costs set at efficient levels that are attainable by employees. Standard costs are determined based on past experience or the use of work analysis studies which have produced per unit productivity measures. For example, a library might determine that shelvers should be able to shelve 100 books per hour on average and use this to project the number of shelving hours needed, based on circulation projections.

Variable: Costs which do change as the volume of service or work changes. For example, the cost of supplies used by the Technical Services department will change depending upon the number of items processed.