

COST ANALYSIS AND DECISION-MAKING



EDUCATION GOALS

- Understand the cost concept and the main cost analysis methods
- Know how to use these methods to make the right management decisions
- Determine the minimum break-even point to absorb all fixed costs
- Improve the profitability of your business through a detailed understanding of costs

WORD FROM THE AUTHOR – Franck NICOLAS

«This course has been specifically created for anyone wanting to add a "cost approach" to their decision making. Its goal is to familiarise you with the key terms and to describe the main tools used to address the different management control needs. For example, we will answer the following question: At what price should I sell my product and/or service to make a profit? There is a relevant cost for each decision. Using this relevant cost, you will learn how to decide which cost method to use to analyse profitability and make the appropriate decision. »

Level

Initiation

Intermediate

4

Modules

5 H



M31 – COST ANALYSIS

Objectives education

- Differentiate financial accounting from cost accounting
- Understand the uses of cost accounting
- Grasp the cost concept
- Understand the main costing methods

Word from the author

« Introducing a management control system promotes growth and productivity.

This type of control system helps companies define their goals.

No action can be taken without accurate information on the volume of sales that must be achieved to break even.

This introductory module describes cost accounting and costing systems, as opposed to financial accounting (general accounting).

The aim is to introduce you to the key terms and to describe the main techniques that can be used to meet management control needs. »

Chapters

- Financial and cost accounting
- The cost concept
- Cost analysis methods

Quiz

M32 – PARTIAL COSTING

Objectives education

- Understand variable costing (distinguishing variable costs from fixed costs, calculating the contribution margin and the break-even point)
- Understand direct costing (distinguishing direct fixed costs from shared fixed costs, calculating the contribution on direct costs and the direct costs break-even point)
- Maximise net income taking into account the cost structure

Word from the author

« How are the break-even point and the profitability of a product, department or business line calculated?

What should your contribution margin be and how do we calculate it?

What impact do costs have on net income?

All of these questions are vital for preparing forecasts and for properly managing your company.

This module has been designed to answer these questions. »

Chapters

- Variable costing
- Direct costing

Case study

- Case study : "Toy Town"

M33 – FULL (OR ABSORPTION) COSTING

Objectives education

- Distinguish direct costs from indirect costs
- Define cost centers
- Allocate indirect costs to a specific product or business line
- Calculate the total cost of a specific product or business line
- Describe the advantages and limitations of the method

Word from the author

« You want to launch a new product or service.

But at what price should you sell this new product or service in order to make a profit?

To answer that question we firstly need to calculate the total cost of your product or service.

This module will show you how to calculate the total cost of your product/service. »

Chapters

- Principles
- Advantages and limitations

Case study

- Case study : "Launching a Ladies' Town Bike"

M34 – RELEVANT COSTS AND DECISION-MAKING

Objectives education

- Define the relevant cost
- Use the appropriate costing method(s) for the decision to be taken
- Make the right decision

Word from the author

« How can we make an important management decision (setting selling prices, making or buying, hiring or firing, discontinuing or launching a product range) without understanding the cost implications?

This module addresses that very question: there is a relevant cost for each decision. We use the relevant cost to work out which costing method to use to assess profitability and to make the right decision. »

Chapters

- Making the tight decision
- Using full production capacity
- Setting a selling price
- The make-or-Buy decision
- Dropping a business line or market sector
- Setting the selling price for a new business line
- Choosing the right decision

Quiz