





## What are we going to learn today?

- Different types of costs
- Approaches to costing
- Decision making through costing
- Break even Analysis

## علم العدد ني اهمية

ايم ذڪر اوڙي چهي ڪر حڪماءِ يه تمام علوم نا قبل علم العدد يعني mathematics ما نظر ڪيڊي سونه  
ڪام ڪريه علم هر نفس ما بالقوة موڪو ما ايو چهي۔ انسان اهني زندگي ما جر بهي تصرفات ڪري  
چهي اهه علم العدد ني طرف محتاج چهي بلڪه ڪوئي بهي فيصله ليو اقبل يا goal set ڪرو اقبل علم  
العدد سي حساب ڪري چهي اني تر بعد ڪوئي بهي نتيجو ڀر پهنچي چهي.

## Costing سونر چهے؟

مؤمن پوتانو مال انے جر اشیاء نو وپار کرے چهے۔ اھنی inventory نو حساب انے accounts صاف راکھے۔ تر واسطے 'ایة مبارکة ما گھنی واضح دلیل چهے انے یر مثل اولیاء اللہ صع ہمیشہ ہدایة دینا رھے چهے. تاجر جر product وینچے چهے یا بناوے چهے اھا جتو جملہ خرچ تھائی اھنا حساب نے costing کہوئی چهے

# What Costing is really about

**Costing** in business is the process of identifying, recording, and allocating all expenses involved in producing a product.



Costing answers questions like:

- Am I charging the right price?
- Which product should I push?
- Should I accept this order or reject it?
- Why is cash always tight despite good sales?



Without costing:

- Pricing becomes guesswork
- Growth becomes dangerous
- Expansion becomes risky



# costing سونر كام ضروري چهے؟

**Pricing  
Decisions**

**Profit  
Measurement**

**Control &  
Discipline**

## Costing نامتفرق اقسام

امیر المؤمنین فرماوے چھے۔ جو ام کرے تو گھنو خیال راکھے ہر چیز ما اھنو مزاج ج ایم ہوئی ،  
برابر اعتناء سی جماوی نے کرے ، حساب بھی برابر ، چوکھو حساب ہوئی ، چال چلاؤ نہیں  
اھنا اندر۔

# Types of costs

**Direct Costs – The  
Obvious Costs**

**Indirect Costs  
(Overheads) – The  
Silent Killers**

**Fixed Costs**

**Variable Costs**

# Concepts to be understood.

1

**Cost centers**

2

**Profit centers**

3

**Overheads**

4

**Average costs**

# Two approaches to costing

1

**Full costing  
method**

2

**Contribution  
method**

# Full costing method

Step

1

Calculate Total  
Direct Costs

Step

2

Calculate Total  
Overheads

Step

3

**Absorb Overheads into  
Products**

Distribute overheads  
across products

## **Contribution costing method**

**Contribution = Sales –  
Variable Costs**

**Behaviour of costs**

**Short-term impact**

**Decision clarity**

**Cover fixed costs**

**Generate profit**

# "وخیر اللرزق ما یکفی"

تمارا مال ماسی خیر وہ مال چھے جر تمنے کفایہ کرے

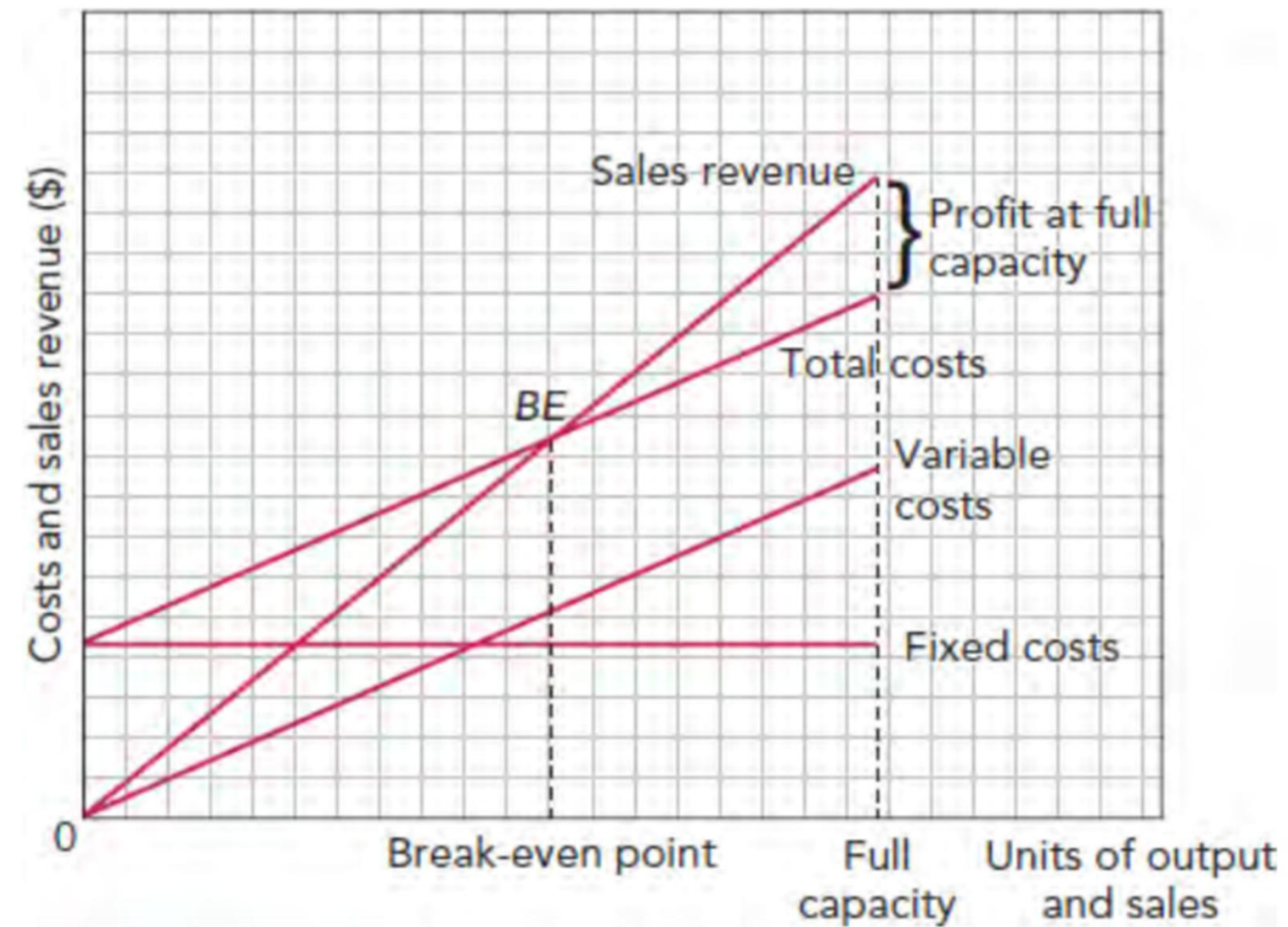
# Contribution costing helps in decision making

- Special Order Decisions
- Pricing Decisions & Discounts
- Product Mix Decisions

D<sub>2</sub> E<sub>1</sub> C<sub>3</sub> I<sub>1</sub> S<sub>1</sub> I<sub>1</sub> O<sub>1</sub> N<sub>1</sub>

# Break -even analysis

Total Revenue = Total Costs



## **USING BREAK-EVEN FOR DECISION MAKING**

**Setting  
minimum sales  
targets**

**Evaluating  
discounts and  
offers**

**Surviving slow  
seasons and  
market shocks**

**Hiring  
decisions**

**Planning  
expansion**

# Role of costing through different stages of supply chain



## Suppliers

Full Costing for  
Reliability



## Manufacturers

Hybrid Approach



## Wholesalers

Contribution Costing  
for Volume



## Retailers

Full Costing for  
Mark-up



## Service Providers

Activity-Based & Full  
Costing



شكرا لحسن استماعكم