COST CLASSIFICATIONS AND ITS APPLICATIONS

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Costs have different classifications. It is not just fixed and variable. Cost may also behave semi variable and partly fixed or known as mixed cost. Cost may be directly traceable to the product and indirectly traceable. Some of cost classification may also include according to purpose such as product cost and period cost. It may also be classified according to its purpose in the management such as sunk cost, opportunity cost, controllable and non-controllable, and relevant cost. Depending on the nature of the industry, these costings may be useful in predicting cost behavior. For example, in Department of Education Division Office of Bataan, cost can be classified according to the source of fund--- Maintenance and Other Operating Expenses, Personnel Services and Capital Outlay Fund. In Maintenance and Other Operating Expenses (MOOE), the funds are used by the Public Elementary, Secondary and Senior High Schools. These are the funds that can be used on activities that are necessary to maintain a good environment for teachers and students at school. Personnel Services Fund is the source of salary and wages of teaching and non-teaching personnel of Deped. Capital Outlay is used to acquire capital assets or fixed assets such as machinery, land, facilities, and others. These cost classifications may be used in setting the budget, analyzing fund behavior and knowing the utilizations of different fund that may affect the performance of schools. Different tools may also be used in getting the formula for the total cost such as high-low method, scattered graph method and least squares regression. These methods combined with cost behavior analysis will always be useful in decision making and budgeting for schools.
References:

Government Accounting Manual (GAM) Volume II