

## GENERAL

Allocated Cost based on the activity driving the cost therefore the **elements** are:

1. Overhead Cost Accounts
2. Activities (Cost Drivers)
3. Cost per Activity

## STEPS

1. Identify the major activities that takes place in the organization
2. Assign the cost to cost centers based on **driving** activity.
3. Determine the **cost driver** for each activity.
4. Assign costs of activities based on demand for activities

## STEP 1

**Activities** are tasks, events / work that causes the **consumption** of resources.

The idea is to **identify** the **highest** cost activities <Apply **cost vs benefit**> in investigation

## STEP 2

Assign the **resources** consumed to each activity.

The idea is to link a **cost** to a **specific** activity performed.

## STEP 3

**Transaction drivers** are the **number** of times an activity is performed.  
**Duration drivers** are the amount of **time** it takes to perform an activity.

In this step drivers are **identified**

## STEP 4

1. Transaction Driver - Number of activities x Price per number
2. Duration Driver - Time per activities x Price per activity

# ABC COSTING

The Basics