

The Cost Guy

I am the Cost Guy. Simply, my job is to determine what things cost. Things that are manufactured.

I am an expert in the field. I should be since I have been costing since 1976.

A Brief History

There is not much to tell. Costing is the same as it was when Henry Ford invented the assembly line. What has changed is the speed at which costing is done. I started with thirteen column spreadsheets and a ten-key calculator spewing tape for hours to transact and accumulate costs.

Today, applications like SAP, JD Edwards and simple Excel have gotten the answers and analyses faster and more accurately than in the old days (but I was really good on a ten-key).

Costs are costs.

The products manufactured today were incomprehensible then, twenty or a hundred years ago as technology rages on. However...

Costs are still costs.

It is why the history is brief.

Why Costing?

Without cost: What to charge customers. Is the company making money. Where is the volume discount. Make or buy. These are fundamental questions that accurate costing answers.

Consider you are an entrepreneur and have a product to sell. Odds are this is something that has never been manufactured. In order to acquire funding, second to if the product is marketable, is what does it cost now and what will it cost when manufacturing is optimized?

Without cost that can be presented accurately, venture capitalists and “The Shark Tank” will not invest in your business.

Consider an existing business. Contribution margins are critical to business decisions. What happens when new products need to be manufactured. How will new equipment affect current manufactured costs.

Two Types

In the purest sense there are two cost systems. Process Cost and Job Order Cost. They are easily distinguished as:

If you manufacture and then sell, you have process cost.

If you sell then manufacture, you have Job Order Cost.

Business

For all who manufacture, don't risk the business and get a Cost Guy!



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