

Paying your sales staff a commission as they bring in orders is another cost to include in your budget. If you hire employees to handle other tasks, such as accounting, reception or the manufacturing process, calculate their salary, tax obligations and the cost of benefits to help estimate the business expenses.

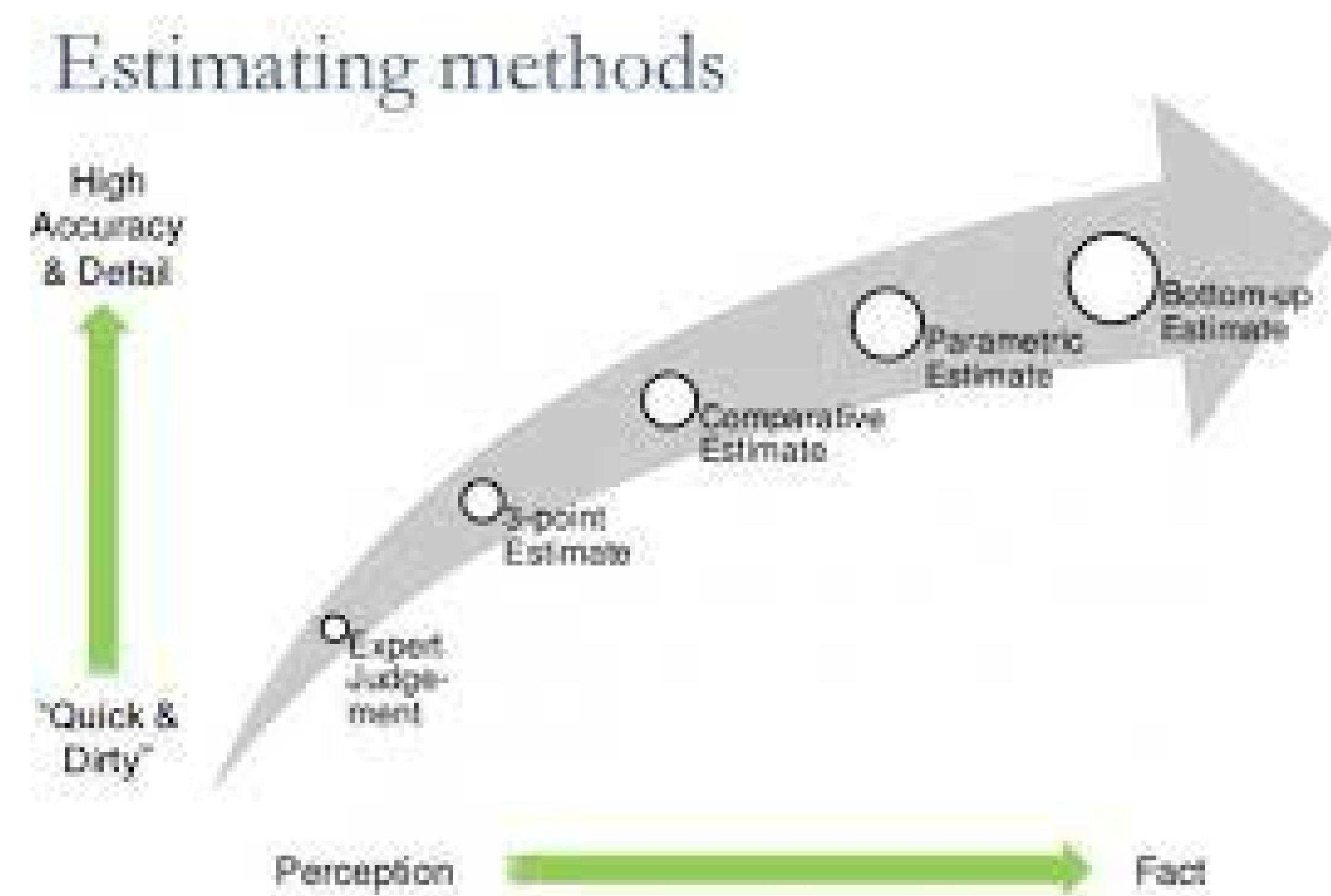


Inventory Carrying Cost

[ˈɪn-vən-,ˈtɔr-ē ˈker-ē-ɪŋ ˈkɒst]

An accounting term that identifies all business expenses related to holding and storing unsold goods.

Investopedia



This involves estimating all the expenses required to start and operate the business, such as equipment, rent, inventory, and marketing. By calculating these costs upfront, business owners can better plan their budget and avoid unexpected expenses.



Inventory costs fall into 3 main categories:

- ☒ Ordering costs (also called Setup costs)
- ☒ Carrying costs (also called Holding costs)
- ☒ Stock-out costs (also called Shortage costs)



Direct Cost and Indirect Cost	DIRECT COSTS	INDIRECT COSTS
	EXPENSES THAT DIRECTLY RELATED WITH PRODUCTION	GENERAL EXPENSES, BUSINESS EXPENSES, RUNNING COSTS
	ALSO CALLED AS VARIABLE COSTS	ALSO CALLED AS FIXED COSTS
	DIRECT MATERIAL DIRECT LABOR DIRECT WAGES	RENT OFFICE EXPENSES INDIRECT WAGES

Estimated Cost Explained

Estimated cost refers to the computation and evaluation of all expenses that has been incurred during a particular production process of execution of project or any other activity undertaken by an organization. It is a very important step, which helps in production planning, budget estimation and various other decision making

Accountants and investors are concerned with the tax implications of an asset's cost basis, which also helps to inform future activity.

Other methods used are average cost; first in, first out; and specific identification.

In most cases, production costs are calculated using the actual costs/actual output accounting method.