Product Cost: It’s a cost which includes the manufacturing materials, labor cost and other costs for the production of the product. Product cost is assigned to the inventory cost to get an analysis about the manufacturing of product and sold products in the balance sheet. For example Soup companies production cost includes the ingredients for the soup, packing, labeling and transporting.

Period Cost: This cost includes the office expenses, advertising about the product, promotions, general administrative cost (like utilities, rents, transportation) which are reported on the income statement. For example soup company office expenses like office rent, electricity, water and furniture in the office.

Variable Cost: The cost of the product may differ in the size of the production of the product. If the production of the product is high then the cost of the product would be high. If the volume of the production is less, then the cost of the product decreases. Variable cost also includes the activities of the company like capital and labor cost. For example if soup company produced more soup packets then the cost would be more because the cost to make that huge production.

Fixed Cost: Fixed cost is a constant and pre-defined cost for a product. The cost of the product remain the same even if the market is not so good. For example Soup Company there would be some fixed cost for the products.

Direct Cost: This cost includes all expenses which are directly involved for the production of the products like labor, material and manufacturing tools. For example all the expenses for the Soup company to make the products.

Indirect cost: Indirect cost includes the all cost or expenses for the business operations. Some of the indirect cost expenses are rents, utilities bill and office expenses. For example Soup Company have an indirect cost like rent, electricity, water and another office expenses (miscellaneous expenses).

Controllable Cost: These cost are managed and controlled or influenced by the managers or head of the company. For example the Soup Company products cost are controlled by the managers in product cost.

Uncontrolled Cost: These cost are not managed by the experienced managers or head of the company. For example The soup company does not have a uncontrolled cost because they are organized and controlled by the managers.

Opportunity Cost: Opportunity cost does not come into actual cost or the budget of the product. It’s actually an opportunity of a company choose a different ways to advertise and they lose opportunity of different ways when they choose one. For example if a company choose to advertise about the product in a TV advertisement but they lose the opportunity to advertise it live performance in a stadium.

Out-of-Pocket: It’s a cost when the company buy any assert but they lose an opportunity to buy assert which is of low cost or discounted. Company need to put all the money from their pockets. For example if the company buy a land for the production at urban area they lose an opportunity to buy a machinery for less cost.

Sunk Cost: It’s the cost where a customer spends and cannot get refund or recovered. For example if a customer buy a soup packet and once they use or consumed it cannot be recovered.

Differential Cost: It’s a cost differential for a company on difference in decision making. For example if the soup company automated the operations than involving direct labor for the production there would be differential cost to analyze.

Marginal Cost: It’s a cost for the company on changing the quality and also it helps the company to optimize the cost on economic or market situations. For example if the soup company wants to change the quality of their packing it may cost more for the company than the previous cost for the production.

Average Cost: The total cost of goods or material produced or purchased divided to the no of items purchased or produced by the company.

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