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Important Formulas of Cost Accounting

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List of 16 Important Formulas of Cost Accounting

Important Formulas of Cost Accounting

1) Backorder Rate

$$\text{fx } BR = \left(\frac{NUO}{TNO} \right)$$

[Open Calculator !\[\]\(a870788d6ed9b8fd294b7654a8c8526b_img.jpg\)](#)

$$\text{ex } 0.152542 = \left(\frac{45}{295} \right)$$

2) Conversion Cost

$$\text{fx } CC = DLC + MOC$$

[Open Calculator !\[\]\(c50c8b7b2cc2cf9ff925edec0ee94c0d_img.jpg\)](#)

$$\text{ex } 1100 = 600 + 500$$

3) Cost of Goods Sold

$$\text{fx } COGS = BI + PDP - EI$$

[Open Calculator !\[\]\(f60b7a900783ac3fd531bfd9c111be6d_img.jpg\)](#)

$$\text{ex } 17355 = 13200 + 6800 - 2645$$



4) Customer Acquisition Cost

$$\text{fx } \text{CAC} = \frac{\text{CSM}}{\text{NNCA}}$$

[Open Calculator !\[\]\(cbe80b694ebd74fcfe136a095b608235_img.jpg\)](#)

$$\text{ex } 1.8 = \frac{2700}{1500}$$

5) Labour Cost Variance

$$\text{fx } \text{LCV} = (\text{SO} \cdot \text{SR}) - (\text{ATH} \cdot \text{ART})$$

[Open Calculator !\[\]\(3e2231b1ad3ca8da8658228c00dd08e0_img.jpg\)](#)

$$\text{ex } 465 = (6 \cdot 140) - (5 \cdot 75)$$

6) Labour Efficiency Variance

$$\text{fx } \text{LV} = \text{SR} \cdot (\text{ST} - \text{AT}) \cdot \text{V}$$

[Open Calculator !\[\]\(0d5ec72f61334709c3fc9450209b754f_img.jpg\)](#)

$$\text{ex } 2100 = 140 \cdot (5 - 4) \cdot 15$$

7) Learning Curve

$$\text{fx } \text{LC} = (\text{a} \cdot \text{X})^{-\text{b}}$$

[Open Calculator !\[\]\(b64b40baaee5acddc1eab8538ba84754_img.jpg\)](#)

$$\text{ex } 0.0004 = (10 \cdot 5)^{-2}$$

8) Material Usage Variance

$$\text{fx } \text{MUV} = \text{STP} \cdot (\text{AQU} - \text{SQ})$$

[Open Calculator !\[\]\(aff7c69c44a5e015f18c35867ef3f5c3_img.jpg\)](#)

$$\text{ex } 8550 = 855 \cdot (110 - 100)$$



9) Noria Effect 

$$fx \quad NE = \frac{NHSC - LSC}{PSC}$$

Open Calculator 

$$ex \quad 4 = \frac{6550 - 550}{1500}$$

10) On-Time Delivery 

$$fx \quad OTD = \frac{OTU}{TTU}$$

Open Calculator 

$$ex \quad 5 = \frac{2500}{500}$$

11) Overall Equipment Effectiveness 

$$fx \quad OEE = GC \cdot \frac{ICT}{PPT}$$

Open Calculator 

$$ex \quad 3280 = 6560 \cdot \frac{5}{10}$$

12) Prime Cost 

$$fx \quad C_{Prime} = DMC + DLC$$

Open Calculator 

$$ex \quad 1600 = 1000 + 600$$



13) Production Cost

$$\text{fx } PC = TFC + TVC$$

[Open Calculator !\[\]\(e2376d476d06eb31946dc01a69a4403a_img.jpg\)](#)

$$\text{ex } 13750 = 4985 + 8765$$

14) Takt Time

$$\text{fx } TT = \frac{PT}{CD}$$

[Open Calculator !\[\]\(0b5e7e25e8775f7e7e80906ada4f0021_img.jpg\)](#)

$$\text{ex } 0.01 = \frac{15}{1500}$$

15) Total Addressable Market

$$\text{fx } TAM = ACV \cdot NPC$$

[Open Calculator !\[\]\(bd3b31712ad9bab5a241210fa6925cdd_img.jpg\)](#)

$$\text{ex } 780000 = 15600 \cdot 50$$

16) Unit Cost

$$\text{fx } UC = \frac{TC}{TUP}$$

[Open Calculator !\[\]\(7bc43b319a082987e20f7bf78f4bab80_img.jpg\)](#)

$$\text{ex } 59.47368 = \frac{56500}{950}$$



Variables Used

- **a** Time Taken to Produce Initial Quantity
- **ACV** Annual Contract Value per Client
- **AQU** Actual Quantity Units
- **ART** Actual Rate
- **AT** Actual Time
- **ATH** Actual Hours
- **b** Learning Coefficient
- **BI** Beginning Inventory
- **BR** Backorder Rate
- **C_{Prime}** Prime Cost
- **CAC** Customer Acquisition Cost
- **CC** Conversion Cost
- **CD** Customer Demand
- **COGS** Cost of Goods Sold
- **CSM** Cost of Sales and Marketing
- **DLC** Direct Labour Cost
- **DMC** Direct Materials Cost
- **EI** Ending Inventory
- **GC** Good Count
- **ICT** Ideal Cycle Time
- **LC** Learning Curve
- **LCV** Labour Cost Variance
- **LSC** Leavers Salary Cost
- **LV** Labour Efficiency Variance



- **MOC** Manufacturing Overhead Cost
- **MUV** Material Usage Variance
- **NE** Noria Effect
- **NHSC** New Hires Salary Cost
- **NNCA** Number of New Customers Acquired
- **NPC** Number of Potential Clients
- **NUO** Number of Undeliverable Orders
- **OEE** Overall Equipment Effectiveness
- **OTD** On-Time Delivery
- **OTU** On Time Units
- **PC** Production Cost
- **PDP** Purchases During the Period
- **PPT** Planned Production Time
- **PSC** Previous Salary Cost
- **PT** Production Available Time
- **SO** Standard Hours for Actual Output
- **SQ** Standard Quantity
- **SR** Standard Rate
- **ST** Standard Time
- **STP** Standard Price
- **TAM** Total Addressable Market
- **TC** Total Cost
- **TFC** Total Fixed Costs
- **TNO** Total Number of Orders
- **TT** Takt Time
- **TTU** Total Units
- **TUP** Total Units Produced





- **TVC** Total Variable Costs
- **UC** Unit Cost
- **V** Variance
- **X** Cumulative Number of Batches



Constants, Functions, Measurements used



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