



Cost Management and Production Process with ABC and TOC

Objectives

The program will enable participants to understand and apply appropriate strategic financial management tools to manage the cost of committed resources. Committed resources are those that management commits to in advance of the actual use of the resources, which are also sometimes referred to as "fixed costs".

This course discusses two approaches to managing the cost of committed resources: ABC and TOC.

Course Contents

Two approaches to managing the cost of committed resources are:

1. Activity-Based Costing / ABC

The ABC approach is used to differentiate between the amount of resource that is supplied and the amount of resource that is actually used. The difference between the two is called unused (or underutilized) capacity. By highlighting the cost of unused capacity, managers may be prompted to either find alternative uses for the unused capacity, or, if possible, decrease spending on the committed resource.

2. Theory of Constraints / TOC

TOC is a management method that improves productive processes by measuring process capacity, effectively identifying process constraints, and coordinating other processes to the needs of system constraints. Management should not waste time trying to "manage" committed costs. Rather, they should focus on maximizing the amount of total system throughput, which is dictated by the weakest link in the chain, or the bottleneck.



Course Outlines

1. Activity Based Costing / ABC.
2. Theory of Constraints / TOC.
3. Flexible and Committed Resources.
4. Capacity and its Limitations.
5. Cost of Unused Capacity.
6. Full-Absorption Costing, Variable Costing, and Throughput Costing.

Designed For

Managers, supervisors and professionals actively involved with cost measurements and estimation to make better decisions in managing and controlling costs with committed resources.