

# [V value: (a) esteem value: (b) cost value](https://assignbuster.com/v-value-a-esteem-value-b-cost-value/)

V = F/C Where, V = Value F = Function C = Cost. Since function remains constant, if cost is reduced, value increases.

#### Types of Value:

When the term value is used in the broader term, it has different meaning for different persons.

For designer value means quality of product designed and efficiency of product produced. For salesmen, it would be the price of the product at which it can be sold in the market and for the management; the value would be the return on capital employed. An industrial product may have the following types of value: (a) Esteem value: (b) Cost value (c) Use value (d) Exchange value.

#### (a) Esteem, Value:

Certain properties of a product do not increase its utility or performance but they make it esteemable which would induce customers to purchase the product. For example, a watch with gold cover has esteem value. A rich customer may prefer a watch with gold cover although a watch with a steel cover may serve the same purpose of keeping time. Some products may have both uses as well as esteem value and yet both may be important. For example, a fountain pen with a gold plated body will have both use and esteem value as it will not only look better but will also last longer.

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#### (b) Cost Value:

The value of product is measured in terms of cost involved. In case of manufacturing concern, it refers to the cost of production of the product produced.

#### (c) Use Value:

There are certain characteristics of a product which make it useful for certain purposes. For example, a book of cost accountancy if written for ICWA — Inter Students, has a use value provided it serves the purpose of such category of students.

It measures the quality of performance of a product. Use value may be primary use value, secondary use value and auxiliary use value. Primary use value indicates the attributes of a product which are essential for its performance as engine, steering wheel and axle in a motor car without which car cannot run. Secondary use value refers to such devices as bonnet or the mudguard or the windscreen without which motor car can be driven but these are necessary for the protection of engine and other parts.

Auxiliary use value is essential for better control and operation as speedometer, electric horn etc. in a motor car.

#### (d) Exchange Value:

Certain characteristics of a product facilitate its exchange for something else and what we get is the exchange value of that product. In value analysis, we are mainly concerned with use value and to some extent to the esteem value. Cost and exchange values are not much relevant in value analysis.

All these values play an important part of our personal life, but in value analysis, we are mainly concerned with use value and to some extent to the esteem value. All other values should be subordinated to use value in varying degrees. Value of product manufactured for sale is the least amount spent in manufacturing it to create appropriate use and esteem values.

Thus, value analysis seeks to provide the different values required in a product or service at the least cost without impairing its quality, efficiency and attractiveness.