

Government price analysis of direct and indirect costs

Business



Running Head: INDIRECT AND DIRECT COSTS Government Price Analysis of Direct and Indirect Analysis of Course]

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Government Price Analysis of Direct and Indirect Analysis

Direct and direct costs are considered imperative for effective financial planning. Both direct and direct costs are greatly associated with the final product by the organizations. Direct and indirect costs are merely wages and overheads respectively. The analysis of direct and indirect cost is highly necessary for governments in terms of careful underpinning of cost objectives. This paper aims to discuss some of the issues underlying with direct and indirect costs during their analysis process.

Governmental analysis for direct and indirect cost is effective for financial budgeting. This may be affected by a number of barriers such as their identification. Many accounting analysts and auditors claim that, in particular, indirect costs cannot be identified in a direct manner. This may affect the analysis of indirect costs within the scope of sales of service or product (Ballard, 2007).

Another underlying problem with the analysis of direct and indirect costs by government for pricing and taxation is the cross-sectional relationship of salaries and overheads. The relationship cannot be estimated easily until or unless financial outlook is immersed with analytical elements. These include identification of pools of rate development, weaknesses that might be identified and capital costs associated with the cost rates (Ballard, 2007). Thus, it will not be incorrect to state that every element as noted above needs to be considered during the analysis of indirect and direct costs.

Considering the barriers of identification of indirect costs, it makes it complicated to estimate the cross-sectional relationship between the salaries and overheads.

Works Cited

Ballard, F. (2007). ABCs of arbitrage: tax rules for investment of bond proceeds by municipalities. New York: American Bar Association.