

Price analysis for the navigation system

Business



Price Analysis for the Navigation System Navigation System's Price Analysis and Costification A company's costification is very important not only to the managers but also to the government. On the side of the company managers, it helps them in determining their expenditure with respect to their budget (Roman L. Weil, Michael W. Maher, 2005). In cost classification, the costs are broken down into sub categories of similar classes. The following are some of the ways that are commonly used to classify costs:

- i. Relevant costs,
- ii. Controllable and uncontrollable,
- iii. The functions in which the costs are connected,
- iv. The cost's direct and indirect nature,
- v. Those costs that can be avoided and those that cannot,
- vi. The normal and abnormal costs.

After the completion of the start up phase, which is vital for any company, what follows is cost determination. The most important factor to consider here is cost allowability. For a cost to be said to be allowable, it has to be reasonable, allocable and comply with the terms of contract.

The cost has to be reasonable in the sense that, the government buyers do not feel like they are being over-charged for the goods or services being offered by the company. The cost has also to lie within what the government would wish its citizens charged for the same (CCH Incorporated, 2007).

Another type of cost to be determined is the variable cost which is a contrast of fixed cost. With the former, any variation in the expenses incurred will result in a corresponding increase in the output. However, with the former, the variation resulting from the incurred expenses does not affect the output. In the determination of the variable cost; that is after the completion

of the start-up phase of a company, one has to bear in mind the costs relating to packaging, raw materials and the labour that is directly involved in the manufacturing process of the company. The total variable cost can be determined by getting the product of total cost per unit of output and total quantity of output.

The semi-variable cost, which is also referred to as mixed cost, include both the variable and fixed rates. Electricity is considered to be the most common variable cost especially in the manufacturing companies.

Cost analysis is very important to help one determine how to price a given commodity from a particular supplier. Before performing price analysis, there is need to compare competitive bids. This can be achieved through comparing several suppliers of a given similar commodity then at the end of the day, the average of the costs one has obtained can be very useful in helping him/her determine the price of a given good.

Despite the fact that the above method is regarded as the best one when it comes to price analysis, there other methods which include prices set by law and regulation, comparison of a published price list, comparing prior quotations, similar item comparison and the rough yardstick comparisons (Mohammad Modarres, 2005). In other words, competition stimulates price reasonableness. However, the contractors from the government are held to a similar standard while making purchases.

References

Government Contracts Reference Book, (2007). CCH Incorporated.

John Wiley & Sons, (2005). Handbook of Cost Management: Roman L. Weil, Michael W. Maher.

Mohammad Modarres (2006). Risk Analysis in Engineering: Techniques, Tools, and Trends CRC Press.