

COST ESTIMATES AND STANDARD COSTING SYSTEMS

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[dx.doi.org/10.18374/JABE-14-1.6](https://doi.org/10.18374/JABE-14-1.6)

ABSTRACT

Cost estimates are inherently difficult. It is especially so in high-tech industries where overhead manufacturing costs are significant. In the past, standard costing approach has been called upon to address issues related to overhead. However, its applicability to high-tech industries becomes questionable as rapidly-changing environment easily distorts the "standards" used to record the product costs. This research tries to identify factors that influence the performance of the standard costing system (such as capacity utilization, product mix, productivity, and yield) and their interactions in order to provide normative guidelines as to how best the standard costing system can be adapted and upgraded. Analytical modeling and numerical examples are utilized to further the research effort.

Keywords: *Overhead; High-Tech Industries; Standard Costing System; Modeling*