Standard Costing

Accounting & Finance

Setting expected costs, and what makes a standard useful.

Types of standard and their effects.

Types

Ideal — perfect conditions, never achieved	Attainable — efficient but realistic
Current — reflects present conditions	Basic — unchanged over years, for trends

Considerations

Ideal standards demotivate	Attainable is the usual choice
Standards go stale as processes change	Review whenever methods or prices shift

Standard costing suits repetitive, stable production. It fits modern short-run and customised manufacturing far less well.