

Chapter – 3 Service (or Operating) Costing

Chapter outcomes:

1. Meaning and nature of service costing;
2. Transporting costing;
3. Classification of costs;
4. Service cost and management decisions;
5. Canteen costing;
6. Hospital costing;
7. Hotel costing;
8. Practical exercises;

Service Costing

- *A cost accounting method concerned with establishing the costs of services rendered*
- Examples of where service costing is applied:
 - ◆ Transport
 - ◆ Hotels
 - ◆ Tourism
 - ◆ Solicitors
 - ◆ Education
 - ◆ Retail distribution
 - ◆ Financial services

Meaning of Service costing

Service costing is that form of operation costing which applies where standardised services are provided either by an undertaking or by a service cost centre within an undertaking.

This method may be used where service is not completely standardised, but where it is convenient to regard it as such, and to calculate average cost per period in relation to the standardised unit of measurement.

Thus it is the cost of producing and maintaining a service. It is a method of costing applied to undertakings which provide service rather than production of commodities.