Certified in Planning and Inventory Management

Costing

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Costing

1. Standard Costing

Standard costing assigns predetermined costs to materials, labor, and overhead to establish benchmarks for operational performance. CPIM candidates must understand how standards are set, maintained, and revised. The approach supports variance analysis by comparing actual results to expected costs, helping identify inefficiencies and cost-improvement opportunities. Standard costing also simplifies inventory valuation and assists in budgeting and planning processes. In manufacturing environments, it enables faster decision-making by providing stable cost structures for product costing and profitability analysis.

2. Actual Costing

Actual costing records the true cost of materials, labor, and overhead as they are incurred. It provides highly accurate product cost information but can be time-consuming due to variability in real-time cost capture. CPIM learners must understand how actual costing affects cost of goods sold (COGS), financial reporting, and inventory valuation. It reflects current market fluctuations and operational realities, making it useful for businesses with variable input costs. Actual costing helps managers assess true profitability and supports continuous monitoring of operational cost drivers.

3. Normal Costing

Normal costing combines actual direct costs (materials and labor) with predetermined overhead rates to produce a more stable and manageable product cost. This hybrid

method reduces volatility in overhead allocation and avoids the complexity of full actual costing. CPIM candidates should understand how predetermined overhead rates are calculated and applied. Normal costing improves cost visibility for planning and budgeting while maintaining sufficient accuracy for decision-making. It is widely used in job-order and process environments where over head fluctuates but direct costs are easier to track.

4. Job Order Costing

Job order costing assigns costs to individual jobs, batches, or unique customer orders. It is ideal for custom, low-volume, or high-mix production environments such as machinery, fabrication, or customized assemblies. CPIM preparation requires understanding cost collection for materials, labor, and overhead for each job. This method provides precise cost visibility but can be administratively intensive. It supports quoting, pricing, profitability analysis, and customer cost transparency. Job order costing also enables post-job analysis to identify inefficiencies and areas for process improvement.

5. Process Costing

Process costing accumulates costs by department or process rather than individual jobs, making it suitable for high-volume, continuous manufacturing such as chemicals, food processing, or paper production. CPIM candidates must understand concepts like equivalent units, cost averaging, and production flow. Process costing simplifies accounting and provides consistent cost information for standardized products. It enables performance tracking by

process stage and supports lean and continuous-improvement efforts. This method helps organizations evaluate production efficiency and develop more accurate inventory valuations.

6. Activity-Based Costing (ABC)

Activity-Based Costing assigns overhead based on activities that consume resources rather than simple volume-based drivers. CPIM candidates must understand how ABC identifies true cost drivers such as setups, inspections, or material handling. ABC generates more accurate product and customer profitability analysis, especially in complex or high-overhead environments. It helps expose hidden costs, supports pricing decisions, and assists in identifying non-value-added activities. ABC is also crucial in strategic decision-making related to product mix, outsourcing, and process redesign.

7. Absorption Costing

Absorption costing allocates all manufacturing costs—direct materials, direct labor, and both variable and fixed overhead—to products. It is required for external financial reporting. CPIM candidates should understand how absorption costing affects inventory valuation, profitability, and reported earnings. Because fixed overhead is included in inventory costs, changes in production volume can influence profit levels. This method supports full-cost pricing decisions but may risk overproduction if misused. Understanding absorption costing helps align operations with accounting requirements.

8. Variable (Direct) Costing

Variable costing assigns only variable manufacturing costs to products, treating fixed manufacturing overhead as a period expense. It is useful for internal decision-making, budgeting, and contribution margin analysis. CPIM candidates must grasp how variable costing improves cost-volume-profit (CVP) analysis, supports break-even calculations, and prevents distortions caused by inventory buildup. Variable costing emphasizes the role of operational efficiency and short-term decision-making. It is widely used for evaluating product profitability and making pricing or outsourcing decisions.

9. Overhead Allocation Methods

Overhead allocation involves assigning indirect costs (rent, utilities, depreciation, etc.) to products or departments. CPIM candidates should understand traditional methods (labor-based, machine-hour-based) and modern drivers (setups, engineering changes). Effective overhead allocation ensures accurate product costing, especially when indirect costs form a large share of total manufacturing costs. Misallocation can distort profitability and lead to poor resource decisions. Mastery of overhead allocation supports budgeting, pricing, and capacity planning.

10. Cost Behavior Analysis

Cost behavior analyzes how costs change with production volume or activity level. The main categories are fixed, variable, mixed, and step costs. CPIM learners must understand how cost behavior affects forecasting, budgeting, breakeven analysis, and capacity planning.

Identifying cost behaviors helps managers design flexible cost structures and optimize operational scalability. Understanding these patterns is essential for evaluating cost reduction opportunities and analyzing profitability under various scenarios.

11. Cost-Volume-Profit (CVP) Analysis

CVP analysis examines the relationship between cost, volume, and profitability. Key components include contribution margin, break-even point, and margin of safety. CPIM candidates must understand how CVP supports pricing, capacity planning, product mix decisions, and financial risk assessment. It helps managers evaluate how changes in sales volume, costs, or pricing affect profits. CVP analysis is also valuable for evaluating the profitability of new products, make-or-buy decisions, or expansion plans.

12. Marginal Costing and Contribution Margin

Marginal costing focuses on the cost of producing one additional unit, while contribution margin measures revenue minus variable cost. Together, they help organizations assess incremental profitability, prioritize product lines, and determine the most profitable mix. CPIM candidates should understand how to calculate and apply these concepts in tactical decision-making. Contribution margin analysis is essential for discontinuing products, optimizing capacity, and evaluating special orders.

13. Cost Estimating and Quoting

Cost estimating forecasts future costs for materials, labor, overhead, and risk contingencies. It is essential for quotation generation, budgeting, and long-term planning.

CPIM candidates must understand methods such as parametric estimates, analogies, and detailed bottom-up costing. Accurate estimating improves competitiveness, ensures profitable pricing, and enhances customer satisfaction. It directly impacts supply chain planning and order acceptance decisions.

14. Lifecycle Costing

Lifecycle costing evaluates all costs associated with a product from design to disposal. It encourages decisions that reduce long-term cost rather than focusing only on manufacturing. CPIM candidates must understand how lifecycle costing supports design optimization, sustainability initiatives, warranty planning, and reliability engineering. It is especially important in industries where after-sales service or maintenance dominates total cost. Lifecycle costing supports total cost of ownership (TCO) analysis.

15. Kaizen and Continuous-Improvement Costing

Kaizen costing focuses on cost reduction during the production phase through incremental improvements. CPIM candidates must understand how continuous improvement affects cost structures, process efficiency, and operational waste. Kaizen costing supports lean manufacturing by reducing material usage, cycle times, and setup costs. It also improves competitiveness and profit margins without compromising quality. This method is essential for organizations aiming to sustain long-term cost leadership.

16. Target Costing

Target costing begins with market-driven target prices and subtracts desired profit margins to determine allowable

product cost. It integrates costing with product design and early-stage decision-making. CPIM candidates should understand cross-functional collaboration, value engineering, supplier involvement, and design trade-offs. Target costing is vital in competitive markets where customers dictate price expectations and companies must design products to meet profitability goals.

17. Inventory Valuation Methods (FIFO, LIFO, Weighted Average)

Inventory valuation affects COGS, profits, and taxes. CPIM candidates should understand the cost flow assumptions of FIFO, LIFO, and weighted average costing. FIFO results in lower COGS during inflation, while LIFO increases COGS, reducing taxable income (where permitted). Weighted average smooths price fluctuations. Inventory valuation directly affects financial statements and supply chain performance metrics. Knowledge of valuation is essential for planning, reporting, and cost control.

18. Cost Accounting vs. Managerial Accounting

Cost accounting focuses on capturing production-related costs, while managerial accounting supports strategic and operational decision-making. CPIM candidates must understand how cost data supports budgeting, forecasting, performance evaluation, and internal control. Cost accounting forms the foundation for inventory valuation, product costing, and operational efficiency analysis. Managerial accounting uses these insights for planning, decision-support, and long-term strategy.

19. Cost Variance Analysis

Variance analysis compares actual costs with standard or budgeted costs to identify inefficiencies. Key variances include material price, material usage, labor rate, labor efficiency, and overhead variances. CPIM candidates should understand how variance analysis supports root-cause investigation and performance improvement. Variances help pinpoint operational issues, supplier problems, scrap rates, and productivity shortfalls. Mastery of variance analysis enhances decision-making and cost control.

20. Total Cost of Ownership (TCO)

TCO includes all costs associated with acquiring, operating, and disposing of a product or asset. It extends beyond purchase price to include maintenance, logistics, quality, lead time risks, and lifecycle costs. CPIM candidates must understand how TCO supports supplier evaluation, sourcing decisions, and long-term financial planning. TCO analysis helps organizations choose options that minimize total cost rather than upfront cost, leading to more strategic procurement decisions.

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1. Fundamentals of Supply Chain Management
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4. Inventory Control and Management
5. Distribution and Logistics Strategy
6. Warehouse Layout and Operations Efficiency
7. Supply Chain Risk Management
8. Supply Chain Performance Metrics (KPIs)
9. Lean Supply Chain Practices
10. Agile and Responsive Supply Chains
11. Sales and Operations Planning (S&OP)
12. Supply Chain Network Design
13. Supply Chain Digital Transformation
14. AI and Data Analytics in Supply Chain
15. Supply Chain Sustainability and Green Logistics
16. Reverse Logistics and Returns Management
17. Supply Chain Collaboration and Integration
18. Supplier Relationship Management in SCM
19. Global Supply Chain Strategy
20. Transportation Management Systems (TMS)
21. Inventory Optimization Models
22. Demand-Driven MRP (DDMRP) Concepts
23. Blockchain Applications in Supply Chain
24. Supply Chain Cost Reduction Techniques
25. SCOR Model and Process Improvement

Micro-Learning Programs in Supply Chain Management …

26. Capacity Planning and Resource Allocation
27. Managing Supply Chain Disruptions
28. End-to-End Supply Chain Visibility
29. Cold Chain Logistics Management
30. Supply Chain Compliance and Ethics
31. Import–Export Procedures and Documentation
32. Managing Third-Party Logistics (3PL) Providers
33. Supply Chain Collaboration Technologies
34. Production Planning and Scheduling
35. Strategic Supply Chain Design Using Case Studies
36. Circular Economy in Supply Chain
37. Vendor-Managed Inventory (VMI)
38. Transportation Optimization Techniques
39. E-Commerce Supply Chain Models
40. Omni-Channel Fulfillment Strategies
41. Warehouse Automation and Robotics
42. SCOR DS Roadmap for Supply Chain Excellence
43. Customer-Centric Supply Chain Strategies
44. Supply Chain Finance and Working Capital Management
45. Supply Chain Data Visualization Using Power BI
46. Strategic Sourcing in Supply Chain Context
47. Supply Chain Benchmarking and Best Practices
48. Integrated Business Planning (IBP)
49. Supply Chain in Crisis Management and Recovery
50. Future Trends and Technologies in Supply Chain

Micro-Learning Programs in Procurement

1. Fundamentals of Procurement Management
2. Strategic Sourcing and Category Management
3. Supplier Selection and Evaluation
4. Contract Management Essentials
5. Cost and Price Analysis in Procurement
6. Negotiation Strategies for Procurement Professionals
7. E-Procurement and Digital Tools
8. Procurement Planning and Budgeting
9. Risk Management in Procurement
10. Supplier Relationship and Performance Management
11. Sustainable and Ethical Procurement
12. Total Cost of Ownership (TCO) Analysis
13. Make-or-Buy Decision Frameworks
14. Procurement Policies and Governance
15. Procurement in Public vs. Private Sectors
16. Procurement Audit and Compliance
17. Procurement Data Analytics and Reporting
18. Procurement Scorecards and KPIs
19. Strategic Supplier Partnerships
20. Category Strategy Development
21. Managing Global and Offshore Procurement
22. Negotiation Simulation Workshop
23. Contract Law for Procurement Managers
24. Cost Reduction Strategies in Procurement
25. Supplier Risk Assessment Models

Micro-Learning Programs in Procurement …

26. Procurement Process Mapping and Improvement
27. Procurement Automation and AI Applications
28. Managing Procurement Teams Effectively
29. Procurement Ethics and Transparency
30. Procurement in the Digital Supply Chain
31. Vendor Consolidation Strategies
32. Spend Analysis and Optimization
33. Demand Forecasting for Procurement
34. E-Auction and Reverse Bidding Techniques
35. Inventory and Procurement Alignment
36. Procurement in Project-Based Organizations
37. Supplier Onboarding and Development
38. Procurement Market Intelligence
39. Measuring Supplier Innovation
40. Procurement in Times of Supply Disruption
41. Cross-Functional Collaboration in Procurement
42. Writing Effective RFPs, RFQs, and RFIs
43. Contract Negotiation Best Practices
44. Green Procurement and Circular Economy
45. Legal Aspects of Procurement Contracts
46. Performance-Based Contracting
47. Procurement Leadership and Strategic Influence
48. Cost Avoidance and Value Creation in Procurement
49. Managing Procurement with Power BI Dashboards
50. Future Skills and Trends in Procurement

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