

7 WAYS RIVER LOGIC'S REAL COST BEATS STANDARD COSTING

Standard costing is useful for managing a business retroactively, whereas forward-looking costing is better for decision-making and insights

1. Activity-Based and Time-Driven Costing:

Standard Costing:

Typically based on a fixed cost per unit, which doesn't account for the dynamic nature of business operations.



River Logic's Real Cost:

Considers costs driven by activities, time periods, and changing factors like mix, volume, and constraints. It provides a more accurate reflection of the cost of operations.

2. Granularity and Flexibility:

Standard Costing:

Usually associated with a specific plant or location, limiting its applicability and flexibility.



River Logic's Real Cost:

River Logic's approach is adaptable, dynamic and responsive to real-world constraints, making it more flexible for different scenarios.

3. Constraints and Optimization:

Standard Costing:

Ignores constraints or optimization considerations.



River Logic's Real Cost:

Considers constraints and optimizes resources. It helps answer questions related to the most efficient allocation of resources.





4. Supply vs. Value Chain:

Standard Costing:

Typically, does not break down costs associated with serving specific customers or channels.



River Logic's Real Cost:

Supports modeling customer and supplier contracts, including prices, discounts, penalties, dedicated inventories, minimum volumes, product substitutions.

5. Carbon Accounting

Standard Costing:

While future sustainability considerations like carbon emission credits are emerging, they are often measured on a per-unit basis, not accounting for overall mix, volume or carbon-credit dynamics.



River Logic's Real Cost:

Incorporates sustainability considerations by linking costs to overall mix and volume. Considers the impact of moving from free to paid-for carbon emissions credits, and ties costs to Scopes 1, 2 and 3.

6. Average vs. Marginal Cost & Profitability

Standard Costing:

Primarily focuses on unit costs, making it challenging to understand the marginal cost and profitability of different strategies and plans.



River Logic's Real Cost:

Modeling contracts and constraints provides insights into average vs. marginal cost and profitability, enabling organizations to make more informed decisions about their strategies and plans.

7. Dynamic Cost Categories

Standard Costing:

Rely on predefined cost categories with limited flexibility - direct, indirect.



River Logic's Real Cost:

Dynamic approach that adjusts costs based on the specific situation, for example changing the definition of fixed or variable costs based on the questions being asked.

A Superior Approach

River Logic Costing offers a superior approach to cost management and decision-making compared to standard costing. It considers complex businesses' dynamic and multifaceted nature, allowing for more accurate cost calculations, optimized resource allocation, and better preparation for future challenges, including sustainability concerns. By providing insights into marginal cost and profitability, River Logic Costing empowers organizations to make more informed and strategic decisions that enhance overall profitability and efficiency.

That is why we are: REAL DECISIONS. OPTIMIZED.
Get in Touch with Us, we are Happy to help!

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