

# **Costing 101 – Costing and Pricing Services – Session 2**

Barbados Beauty  
Professionals  
Association



## Recap

UNIT OF SERVICE

- relaxer
- shampoo
- cut
- tint/colouring



time  
# of hours

PRODUCT

hair oil

oil sheen

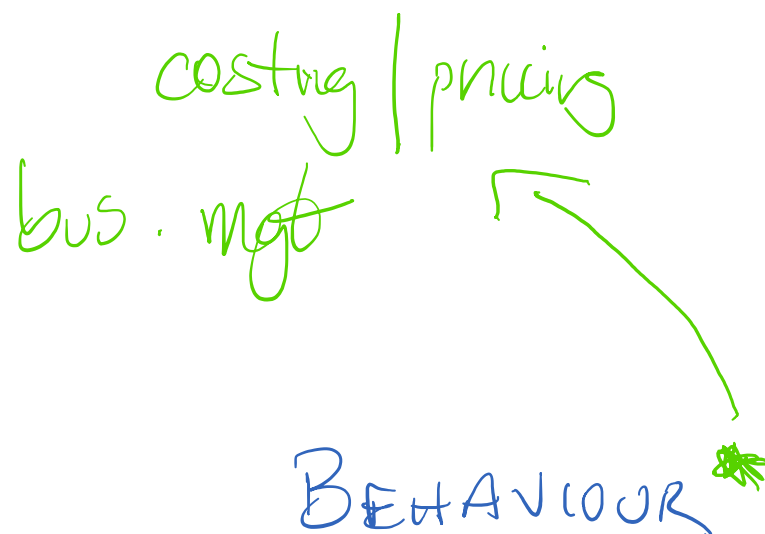
shampoo

conditioner



1 btl; 1 box

1 oz; 1 litre



# Example 1

Categorisation of costs

FUNCTION

- production
- admin
- purchasing
- labour
- finance

TYPE

direct \* VARIABLE

lab, mats, exps

indirect

lab, mats, exps

BEHAVIOUR \*

fixed

variable

mixed

## Example 1

" —

Many running a salon at home.

In one day she estimates the following:

Clients: 10

Shampoo: 5 btls — \$20 per

Labour: 15 hrs — \$10/hr  
salon asst.

Conditioner: 5 btls — \$10 per

What should she charge  
her client?

All products used  
on the day's clients

1

## COST CARD

Direct mats	\$
1/2 btl shampoo x \$20 =	10.00
1/2 btl conditioner x \$10 =	5.00
	<hr/>
	15.00
 Direct labour	
1hr / client -	10.00
	<hr/>
	\$ 25.00

- 1hr
- 10 clients
- 10 hrs

TOTAL DIRECT COSTS

## Cost Case 2

OVERHEAD : \$5.00

Overhead

$$\$10 \times 5 \text{ hrs} = 50.00$$

$$\div 10 \text{ hrs}$$

$$\$5.00$$

TOTAL COST CASE

Direct costs	\$25.00
(service, variable)	
overhead	\$5.00
	<hr/>
	30.00
markup / profit (40%)	12.00
	<hr/>
Price	\$42.00

$$10 \text{ clients} \\ \times \$7.00 \\ \hline \$70.00$$

Comp

$$\$35.00 \\ \$42.00 \\ \hline \$7.00$$

# ASSUMPTIONS ! ! ! !

## Mary's Real Cost

- Additional details for Mary
- house rent \$1,000 / mth \*
  - water \$ 100 / mth \*
  - electric \$ 250 / mth \*
  - Mary \$ 1000 / mth —
  - phone / internet \$ 300 / mth \*
  - misc SVCS \$ 500 / mth —

↓  
Salon uses  
250 sq ft of the 1000 sq  
ft house.  
 $250/1000 = 1/4$  or 25% \*

Rent: \$1000 / 4  
 Water: \$ 100 / 4  
 Electric: \$250 / 4  
 Phone Int: \$300 / 4  
 Mary ✖ : \$1000 x 2%  
 Misc op:

## Mary Costing 2

### Overheads

-	\$ 250.00	
-	\$ 25.00	
-	\$ 62.50	
-	\$ 75.00	
-	\$ 250.00	
-	\$ 500.00	
<hr/>		
	\$ 1162.50	÷ 20 day

\$ 5.81  
 -10 ↑  
 \$ 58.13  
 ↑

May Cost 2

→ Salom asst: <sup>Adjst</sup> <sup>Direct</sup> <sup>Service Cost</sup>  
1 hr @ 10.00

— May

75% × \$1000

$$= 750 \div 20 = 37.50 \div 10$$

$$\begin{array}{r} - 3.75 \\ \hline 13.75 \end{array}$$

# Mary's Real Price

$\$49.00$   
 $35.00$   


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 $14.00$   


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 $\times 10$   
 $= \$140.00$

LOSING

Direct matg	$\$15.00$
Direct lab	$\$13.75$
	<hr/>
Service cost	$28.75$
Overhead	$5.81$
	<hr/>
	$34.56 \approx 35.00$
	$14.00$
	<hr/>
	$49.00$

40%

# Advanced Costing

ADVANCED

1 bh Shampoo 32 oz. \$ 25.00

- ① Shampoo + conditioner. — 02 — 32 semis
- ② Colouring — 02
- ③ Cut — 02

## Concept of Standards

STANDARDS



how much material

how much time

how much labour

# ASSIGNMENTS + RESEARCH

Determine how long product lasts x3

Determine how long each service lasts x3

Test your services  
Test your prices



Choose 1 and  
test it and  
determine if your price is right.