Accounting, Business & Financial History ›

Volume 15, 2005 - Issue 1

911 Views | 3 CrossRef citations to date | 0 Altmetric

Miscellany

Direct versus absorption costing: A comment

Will T. Baxter *

Pages 89-91 | Published online: 01 Feb 2007

Cite this article https://doi.org/10.1080/09585200500033139

Sample our Humanities Journals

>> Sign in here to start your access to the latest two volumes for 14 days

Click to increase image size

Accounting, Business & Financial History
Vol. 15, No. 1, 89–91, March 2005

Direct Versus Absorption Costing: A Comment

WILL T. BAXTER

London School of Economics and Political Science, UK

In November 2003, *Accounting, Business and Financial History* published a notable article on 'Battles in the costing war' by David Dugdale and T. Colwyn Jones. The 'war' was between supporters of direct costing and of absorption costing. Their disputes broke out from time to time in the nineteenth and twentieth centuries, and filled many pages in journals such as *The Cost Accountant* (as it was then). The 'war' was sometimes fierce: the article quotes with relish words such as 'horror', 'passion', 'distress', and 'rising blood pressure'.

The article suggests that neither side has been a clear winner in this war: some firms use direct figures, but absorption costing is probably the most common. Since the topic is important for accountants, some extension of the article's analysis may be useful.

The Roles of 'Cost'

The 'cost' in question is that of a firm's unit of product or activity (here a 'job'). This figure may serve as a measure of value, for example, in financial reporting. And it acts as a handy guide to many decisions. Thus, it can be compared with a product's sale price; if cost of a unit is less than price, the product may be worth making.

A cost not only points to outflow of cash or other assets, but also warns of a job's claims on the firm's productive capacity – and consequent loss of revenue from alternative work.

Direct Costing

The advocates of direct cost hold that cost can be found only by looking at figures that can be traced home to the job – notably those of materials and labour. Figures that the job does not change, no matter how alluring, should be ignored. Thus overhead is here irrelevant.

Advocates of direct costing have long cited its usefulness in practice. But lately it has found intellectual backing in the economists' teaching on marginal analysis, stressing that

Correspondence Address: Will T. Baxter, Department of Accounting & Finance, London School of Economics and Political Science, Houghton Street, London WC2A 2AE, UK.

0958-5206 Print/1466-4275 Online/05/010089–03 © 2005 Taylor & Francis Group Ltd
DOI: 10.1080/09585200500033139

Log in via your institution

Access through your institution

Log in to Taylor & Francis Online

Log in

Restore content access

Restore content access for purchases made as guest

Purchase options *

Save for later

PDF download + Online access

- 48 hours access to article PDF & online version
- Article PDF can be downloaded
- Article PDF can be printed

EUR 48.00

Add to cart

Issue Purchase

- 30 days online access to complete issue
- Article PDFs can be downloaded
- Article PDFs can be printed

EUR 354.00

Add to cart

* Local tax will be added as applicable

Related Research

People also read | Recommended articles | Cited by 3

Direct versus absorption costing: A reply

David Dugdale † et al.
Accounting, Business & Financial History
Published online: 1 Feb 2007

Information for

Authors

R&D professionals

Editors

Librarians

Societies

Open access

Overview

Open journals

Open Select

Dove Medical Press

F1000Research

Opportunities

Reprints and e-prints

Advertising solutions

Accelerated publication

Corporate access solutions

Help and information

Help and contact

Newsroom

All journals

Books

Keep up to date

Register to receive personalised research and resources by email

Sign me up

Copyright © 2026 Informa UK Limited Privacy policy

Cookies Terms & conditions Accessibility

Registered in England & Wales No. 01072954
5 Howick Place | London | SW1P 1WG

Taylor & Francis by informa