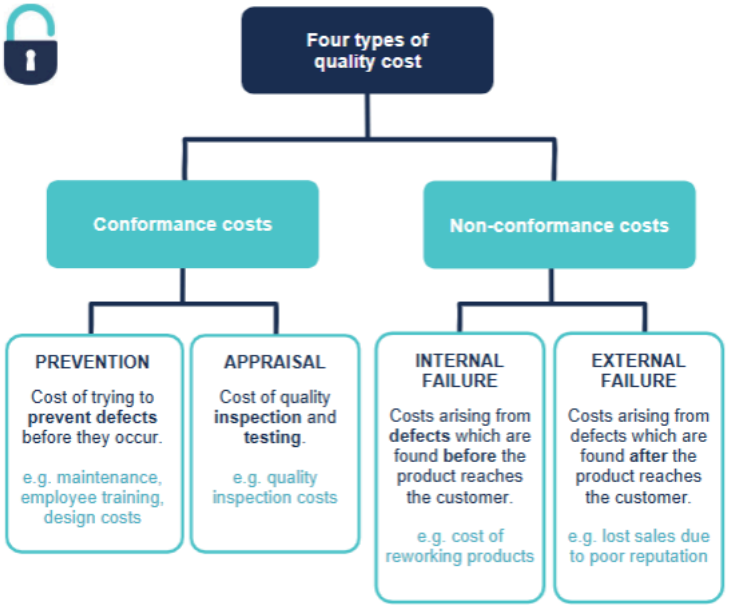
5 Quality costing

Costs relating to managing quality can be split into the following categories.



In theory, investing in **conformance costs** should **reduce non-conformance costs**.

Notes

6 Environmental costing

Organisations must also consider the financial and non-financial environmental costs and benefits of decisions that are made.

One way that these costs can be categorised, is to use the same four categories of costs as the quality-related costs.

Environmental cost	Description and example
Environmental prevention cost	➢ Costs incurred by an organisation to reduce or prevent the negative impact that its processes and products have on the environment. E.g. the cost of purchasing recyclable materials.
Environmental appraisal cost	➢ Costs of inspecting and testing the organisation's products or processes to measure their environmental impact. E.g. the cost of measuring a factory's carbon emissions.
Environmental internal failure cost	➢ Costs of addressing the potential negative environmental impact of products or processes before they have an impact on the environment. E.g. the cost of treating harmful waste which has been created during the production process, to ensure that it can be disposed of safely.
Environmental external failure cost	➢ Costs incurred by an organisation if there is a negative impact on the environment as a result of its products or processes. E.g. the cost of cleaning up an oil spill.

Notes

4 Weighted benefit scoring

4.1 What is weighted benefit scoring

Weighted benefit scoring is a decision-making technique which applies numerical weightings to the potential benefits available from a range of options, with the aim of prioritising areas of strategic importance.

The following step-by-step approach can be applied.

1. Make a list of the options available as part of a short-term decision.
   Typically, this technique is applied to mutually exclusive options.
2. Identify the potential benefits which can be obtained by each option.
   e.g. attract new customers, improve margins. increased innovation.
3. Select weightings for each benefit based on strategic importance.
   Often these weightings will be percentage score adding to 100%.
4. Allocate a score for each potential benefit to each of the options.
   This part of the process may require some degree of subjectivity.
5. Identify the option which has the highest weighted average score.
   This is calculated by combining the scores with the weightings.

Notes