# Activity Based Costing for Schools

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- Bachelor of Commerce  

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- Institute of Chartered Accountants  
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**Experience:**  
- Benchmarking, Performance analysis  
- Lecturer - Performance analysis
Objectives

Investing Resources

Educational Goals
Why Improve?

- Globalisation of business
- Financial sophistication
- Thirst for technical knowledge to improve efficiencies
- Increased pressure on school budgets
Activity Based Costing For Schools
The ABC System

Input

Direct Costs
Indirect Costs
Depreciation
Admin
Maintenance
Etc.

Resource Drivers

Cost Pool Buildings
Cost Pool Admin
Cost Pool Technology

Cost Drivers

Cost objects

Output

Math's
English
Rowing
Etc.

Cost objects
Cost Each Seat in Every Class
Capacity Student Seats

- YEAR 8 Geography
- 2 Classes
- 25 Pupil capacity
- 4 classes per week
- 38 Weeks in year
- Capacity Seats therefore
- \(2 \times 25 \times 4 \times 38 = 7,600\)
Actual Student Seats

- YEAR 8 Geography
- Actual Pupils total 35
- 4 classes per week
- 38 Weeks in year
- Actual Seats therefore
- $35 \times 4 \times 38 = 5320$
Total cost (all year groups)

- Geography: $100,000
- Latin: $80,000
- Gymnastics: $40,000

Total cost: $0
Cost of seats filled
Cost of spare seats
Cost per student is easily understood

- Geography: $100,000 / 95 students
- Latin: $50,000 / 25 students
- Gymnastics: $30,000 / 10 students
Summary

- capacity student numbers in each class
- actual student numbers in each class
- number of classrooms available in a year
- actual number of classrooms required
- costs individually apportioned
  - Direct to a subject or co-curricular
  - into homogeneous groups of costs
- calculate
  - cost per subject, co-curricular item
  - cost of excess capacity
Case Study

Good Girls Grammar School
Senior school excess capacity

Excess Capacity - Highest Ten Subjects
Total = $685,000

- Outdoor Education
- Chemistry
- Physical Education
- Geography
- English
- Economics
- Advanced Maths
- Latin
- History
- Art
Cost of Co-Curricular Activities

- Rowing
- Gymnastics
- Weightlifting
- School Play
- Musical
- Golf
- Musical
- School Play
- Weightlifting
- Gymnastics
- Rowing
- Cross Country
- Army Cadets
- Cricket
- Rugby
- Tennis
- Waterpolo
- Soccer
- Basketball
- Volleyball
- Swimming
- Fencing
- Photography
- Chess
- Sailing
- Public Speaking
- Duke of Edinburgh
- Golf
- Musical
- School Play
- Weightlifting
- Gymnastics
- Rowing
Major points to note

- Cost of total excess capacity $825,000
- Considerable cost of certain co-curricular activities
- Cost of building excess capacity
  - senior school $ can be calculated
  - boarding house $ can be calculated
Action required

- Consider your strategic plan and education objectives
- Can we re-direct resources?
  - amalgamate classes
  - rationalise subject offerings
- Start with largest excess capacity
- Consider the cost of co-curricular items
- How can we use building more fully?
The ABC process

1. Allocates a cost to all offerings

2. Identifies and costs inefficiencies

3. Costs management decisions
   - new subjects/offerings/facilities
   - the removal of a subjects/offering

4. Pathway for achieving strategic objectives
You Survived