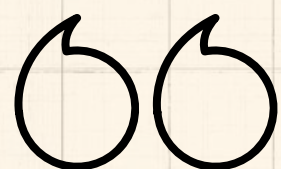
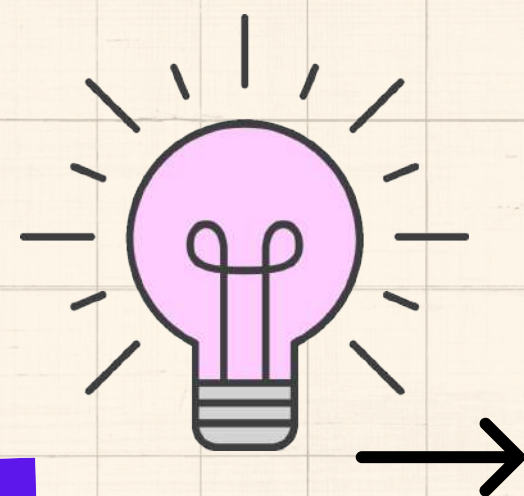


27-03-2025



# Understanding Overheads



A Guide for

Cost Management

page 01



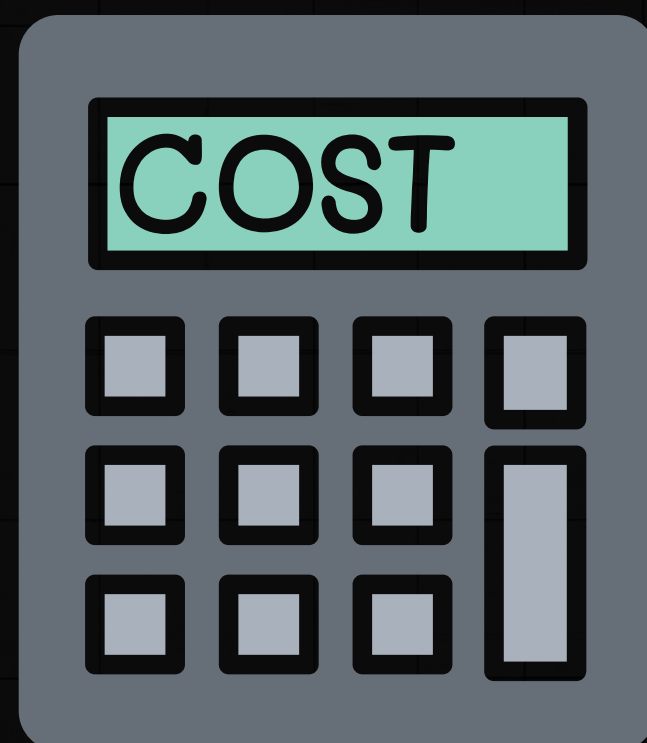
**Vigneswar RK**  
Cost Accountant





# What Are Overheads?

Overheads are indirect costs that cannot be directly traced to a specific product or service but are essential for business operations.



## Why It Matters?

- Helps in cost control
- Improves pricing decisions
- Increases profitability





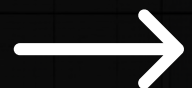
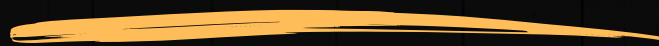
# Manufacturing Overheads

The costs related to production but not directly tied to a specific product.



## Examples:

- Factory rent
- Machine maintenance
- Indirect labor (supervisors, security staff)
- Electricity & utilities for production





# Administrative Overheads

The costs related to the general management & administration of the business.



## Examples:

- Office rent
- Salaries of managers & admin staff
- Legal & audit fees
- Office supplies & utilities







# Selling & Distribution Overheads

The costs incurred in selling & delivering products/services.

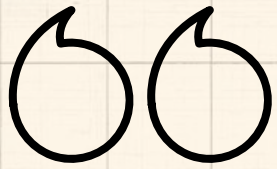


## Examples:

- Advertisement & marketing
- Sales commissions
- Delivery & logistics costs
- Customer service expenses







# Final Thoughts

- The overheads impact profitability managing them wisely ensures better financial health.
- The regular cost analysis can help in better pricing & cost control.

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