

## Economic Profits for the Small Business Manager

**Conrad M. Govine**

Xlibris (May 14, 2009)

Unknown \$19.99 (258pp)

978-1-4415-0791-4

“The purpose of this study is to explore more fully the concept of attributable cost and to show its effect on net income,” Conrad M. Govine writes. *Economic Profits* is the result of Govine’s dissertation for a doctoral degree in Business Administration at Beverly Hills University in 1983. The author’s “required job experience” for the dissertation came from Nassau Community College, Manufacturers Hanover Trust Co., and The Board of Education of the City of New York.

With the book, Govine’s goals are to provide a guide for small businesses that can’t afford a business consultant and a discussion of the lessons learned from the classification of plants and animals as a basis for understanding cost classification. Additionally, he urges small businesses to use attributable cost classifications with a view to increasing profits.

Three main terms are important to understanding the work. “Attributable cost is the cost per unit that could be avoided, on the average, if a product or function were discontinued entirely without changing the supporting organization structure,” Govine writes. “The costing unit may be either a physical product or a unit of service performed (e.g., delivery or invoicing).” Opportunity cost is lost profit from a diversion of an input factor from one use to another, and Fixed costs are not subject to change unless sufficient time is provided to permit adjustment of physical capacity (e.g., depreciation). Other terms discussed include sunk, direct, variable, differential, marginal, traceable, and uncontrollable costs.

In the chapter, “Troublesome Terminology,” the author makes the point that cost definitions can vary from one company to another. Regarding labor costs, overtime premium, for example, is usually considered an indirect cost rather than direct because “the scheduling of production jobs is generally random”; however, it’s the cost accountant’s interpretation that affects the assignment of attributable cost.

The author is helpful in aiding the reader in understanding the crux of the book, better cost classification for increased profit at the margin, and by providing graphs such as “Incremental Revenue and Costs” and “Relationship Between Indirect Materials Cost and Direct Labor Hours.”

The dissertation could’ve been more effective with anecdotal case studies, attention to syntax, and editing of the myriad of terms.

Overall, *Economic Profits* is a relevant discussion of cost allocation for cost analysis by small business managers and entrepreneurs.

(February 15, 2010)

*Disclosure: This article is not an endorsement, but a review. The author of this book provided free copies of the book and paid a small fee to have their book reviewed by a professional reviewer. Foreword Reviews and Clarion Reviews make no guarantee that the author will receive a positive review. Foreword Magazine, Inc. is disclosing this in accordance with the Federal Trade Commission’s 16 CFR, Part 255.*