



# Lesson 3: Analysis of Cost



## Session 1:

- How is cost tracking organized in corporations
- Building the pipeline (in SQL)
- P&L Statements

## Session 2:

- Variable vs fixed cost in real world (multi-level P&L)
- Allocating central costs

# How is cost organized – three key dimensions



## Type

What is being spend?

Spending 1000 USD on

**electricity** for **product delivery**

Usually called account

Idea is to track cost by what is being used: labour, materials, utilities etc.

## Function

For what we are spending?

**electricity** for **product delivery**

Usually called cost center, cost pool

Organized by the different functions like production, delivery, finance, IT etc.

## Segment

Who is spending?

**Production Facility A**

Usually called business unit, segment

Follows the business organization on departments, units etc.

# What does this mean for data analysis



“Long” data table with raw data			
Account	Cost pool	Business Segment Code	Amt
ACC-200101 (Salary)	CP-001 (Lithography)	BU-Op-101 (Production Facility A)	50000
ACC-200101 (Salary)	CP-002 (Maintenance)	BU-Op-101 (Production Facility A)	60000
ACC-200101 (Salary)	CP-002 (Maintenance)	BU-Op-103 (Finance center)	10000
ACC-300101 (Electricity)	CP-001 (Lithography)	BU-Op-101 (Production Facility A)	20000
ACC-300101 (Electricity)	CP-001 (Lithography)	BU-Op-102 (Production Facility B)	30000

# Disclaimer



Our simulated company data has only two dimensions – type & segment



Revenue (“Top line”)

Another dimension (total, time, segment, function etc.)

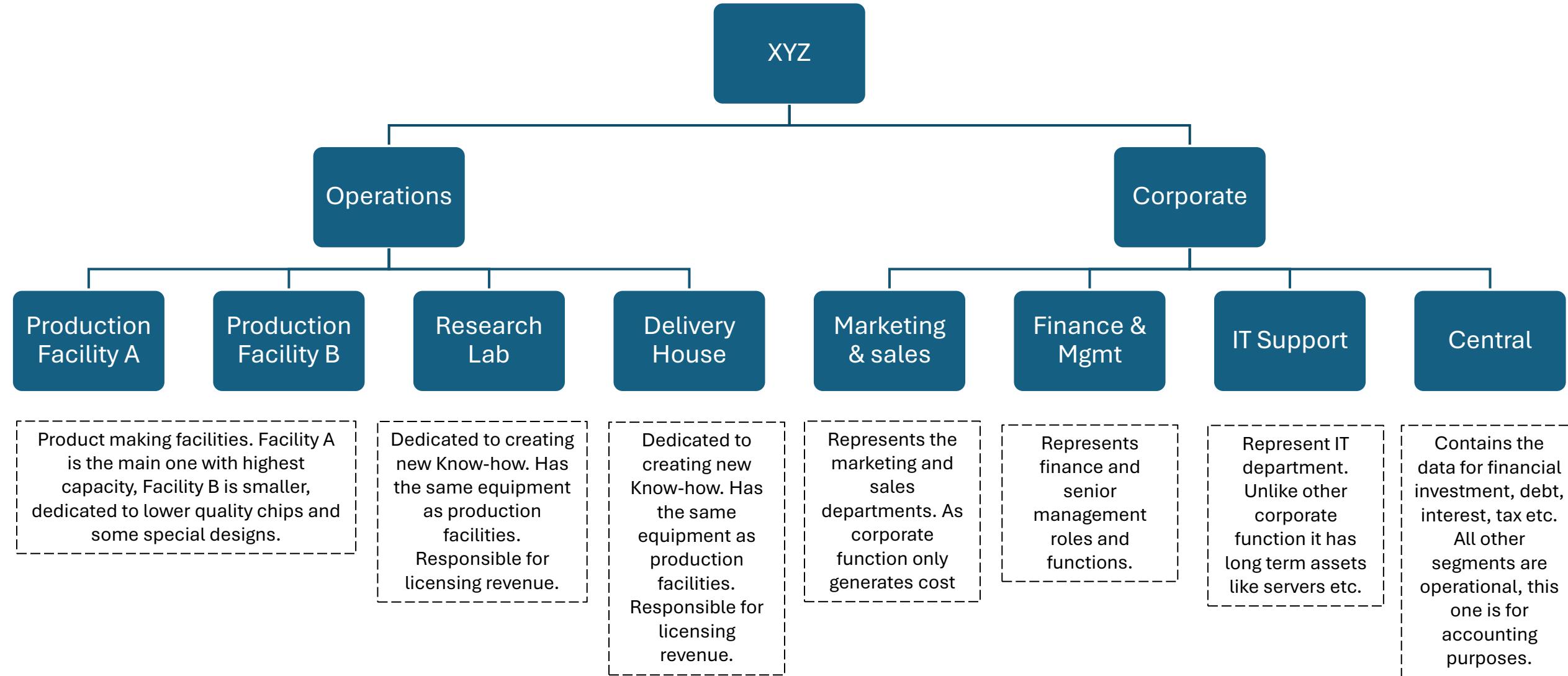
Cost breakdown

Labour  
Materials  
Utilities  
Depreciation

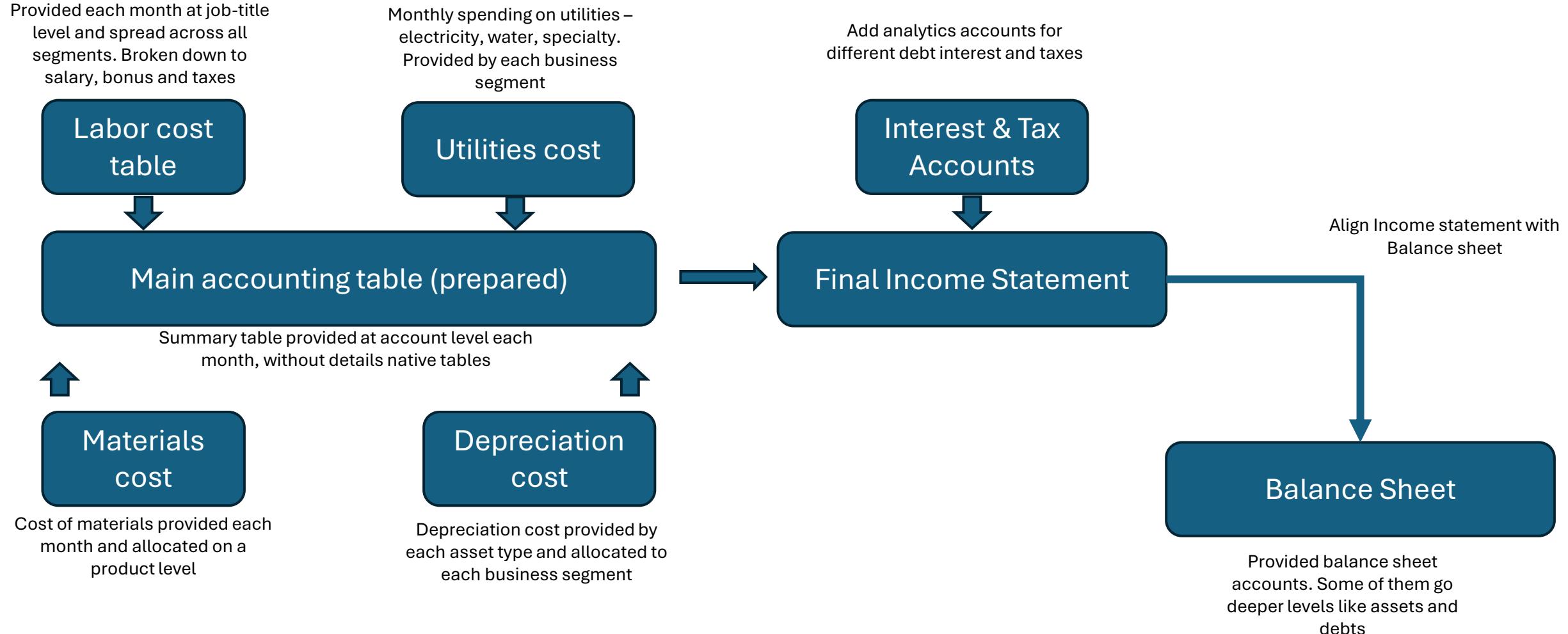
Total

Profit (“Bottom line”)

# How is XYZ organized



# Data pipeline





**Lets go in  
Databricks**