Cost Accounting in the Environmental Testing Industry

The environmental testing industry today is awash with excess capacity. While lab users temporarily benefit from reduced test and measurement expenses, current conditions are neither desirable nor sustainable for either side of the transaction. Today’s economic conditions are destabilizing many lab firms and their public sector laboratory counterparts.

Market, technology, or economic forces, e.g. recession, can work separately or combine to cause reduced sample volumes or significantly reduced prices. Labs with high fixed costs related to facilities, instrumentation, and maintenance are at times, operating on brink of profitability if not sustaining operating losses. Public sector labs are similarly affected and struggle with requirements to justify their costs and missions to the entities that support them.

For labs to remain viable business or public service entities, knowledge of the true cost of tests and analyses must be ascertainable and factored into pricing decisions. Laboratory Information Management Systems (LIMS) provide cost information though they rarely if ever, paint the whole picture; and not all laboratories have access to a LIMS capable of cost accounting.

This presentation provides insights into cost accounting from two highly experienced environmental lab professionals. We present simple effective tools to assist labs understand product cost analysis and through the use of these tools, we’ll enable labs to assign defensible costs to their service efforts. We’ll also send attendees home with more sophisticated spreadsheet cost accounting models for some typical analytical environmental testing procedures.