

Introduction to Cost and Management Accounting

Cost

- It is the *expenditure* incurred for *producing the product* or rendering the *services*. (i.e. Actual or notional amount of expenditure attributable to a specified product or activity).
- It should be expressed from *Manufacturer’s point* of view (and not from customer’s point of view).
- Cost ascertainment is based on *uniform principles* and techniques.

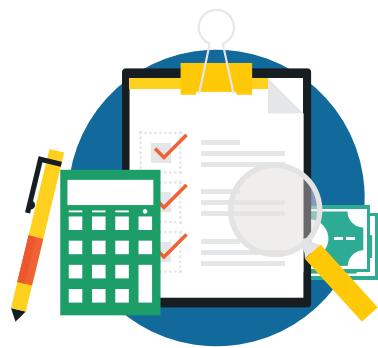


Cost Costing, Cost Accounting

CIMA, London defines Costing as “Techniques and Processes of ascertaining cost.”

The process of *accounting* for cost

- Begins* with the *recording* of income and expenditure
- Ends* with the preparation of periodical statements and *reports*
- Aids ascertainment and *control of costs*

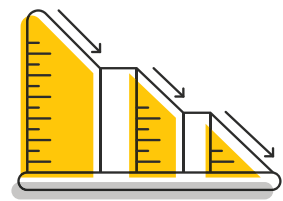


Objectives of Costing

- Ascertainment of cost
 - Post Costing
 - Continuous Costing
- Determination of selling price
- Ascertaining the profit
- Cost control
- Cost reduction
- Decision making



Difference between Cost reduction & Cost control



COST REDUCTION	COST CONTROL
<ul style="list-style-type: none">* Real and permanent savings* Saving in cost per unit* Quality of the product remains unaffected* Tech. qualified people are required	<ul style="list-style-type: none">* Temporary savings* Saving either in total cost or cost per unit* Quality of the product is not guaranteed* Admin is sufficient
COST REDUCTION	COST CONTROL
<ul style="list-style-type: none">* Knowledge of business is important* Corrective Function* Dynamic approach* It has no visible end* Eg. Value engineering, Job Evaluation and Merit rating are tools for cost reduction	<ul style="list-style-type: none">* Leadership quality is important* Preventive Function* Lack of dynamism* It ends when targets are achieved.* Standard Costing and Budgetary Control are tools for Cost Control

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