

**SWAMI DAYANANDA COLLEGE OF ARTS AND SCIENCE,
MANJAKKUDI - 612 610, TIRUVARUR DT**

**DEPARTMENT OF BUSINESS ADMINISTRATION
SUB: COST ACCOUNTING
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UNIT I

Meaning and Scope of cost accounting - Concept and classification of cost - Elements and methods of cost - Relationship of Cost Accounting and Financial Accounting - preparation of Cost sheet.

MEANING

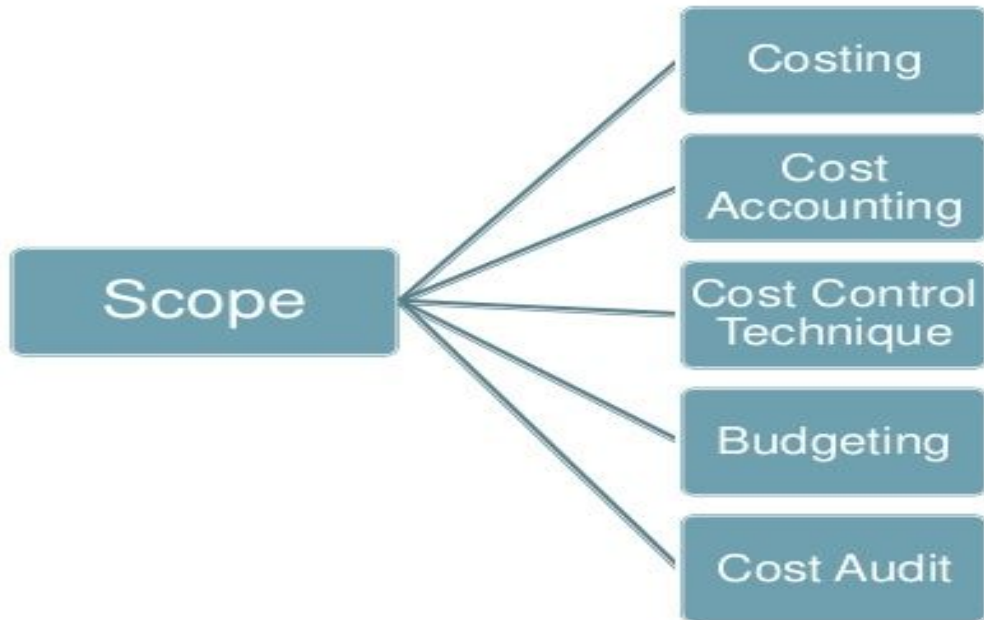
COST: The amount of actual expenditure incurred on a given thing.

COSTING: The technique and process of ascertaining cost. Technique refers to the rules and principles that are applied for ascertaining cost of products manufactured and services rendered.

COST ACCOUNTING: Cost accounting is concerned with recording, classifying and summarizing costs for determination of costs of products or services, planning, controlling and reducing such costs and furnishing of information to management for decision making.

COST ACCOUNTANCY: It is the application of costing and cost accounting principles, method and techniques to the science, art and practice of cost control and the ascertainment of profitability.

SCOPE OF COST ACCOUNTANCY



NATURE OF COST ACCOUNTING

- Cost accounting is a branch of knowledge
- Cost accounting is a science
- Cost accounting is an art
- Cost accounting is a profession





OBJECTIVES OF COST ACCOUNTING

1. Ascertainment of cost
2. Fixation of selling price
3. Cost control
4. Matching cost with revenue
5. Special cost studies and investigation
6. Preparation of financial statements

Advantages of Cost Accounting

- Price Fixation
- Control on Unprofitable Activities
- Useful Information
- Cost Control
- Provides Valuable Data
- Effective Check
- Preparation of Budgets and Regulations of production
- Fixation of Responsibilities
- Independent Check
- Prevention of Manipulation, misappropriation, and frauds

ADVANTAGE OF COST ACCOUNTING

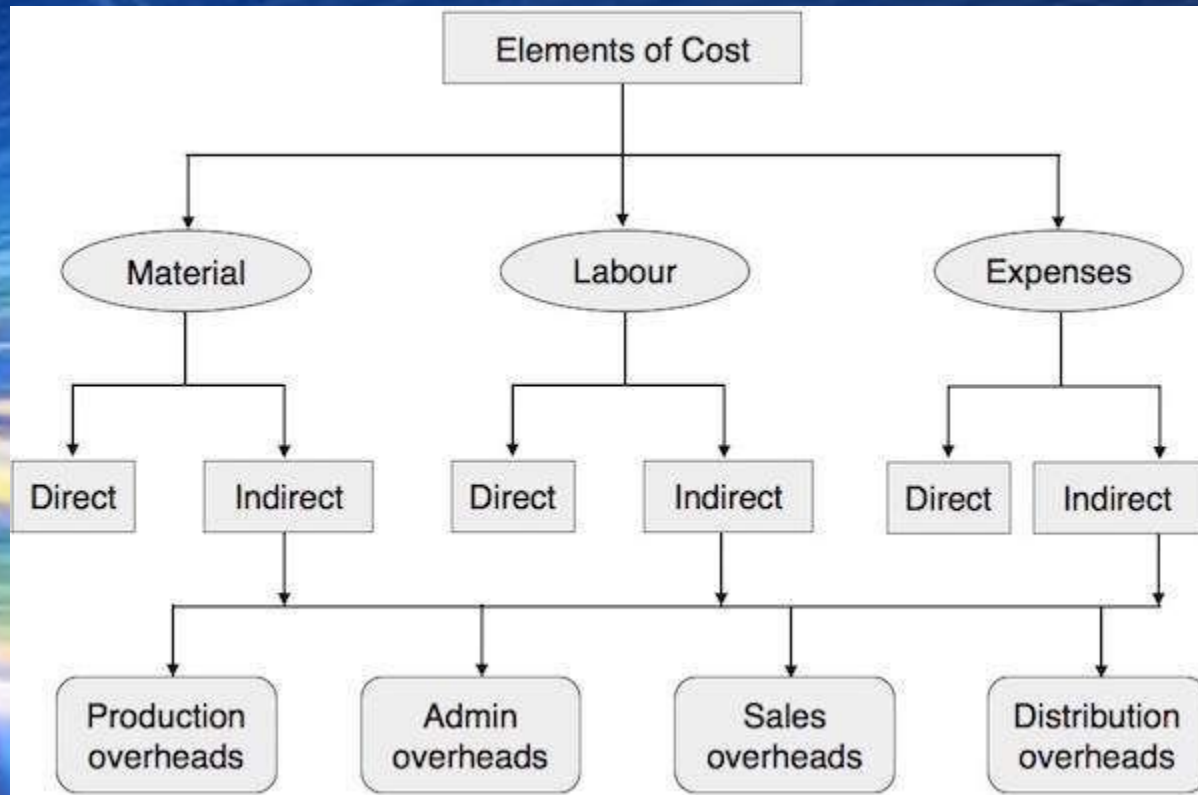
- Benefits to the Management
 - Benefits to the Employees
 - Benefits to Creditors
 - Benefits to the Government
 - Benefits to Consumers/Public
- 



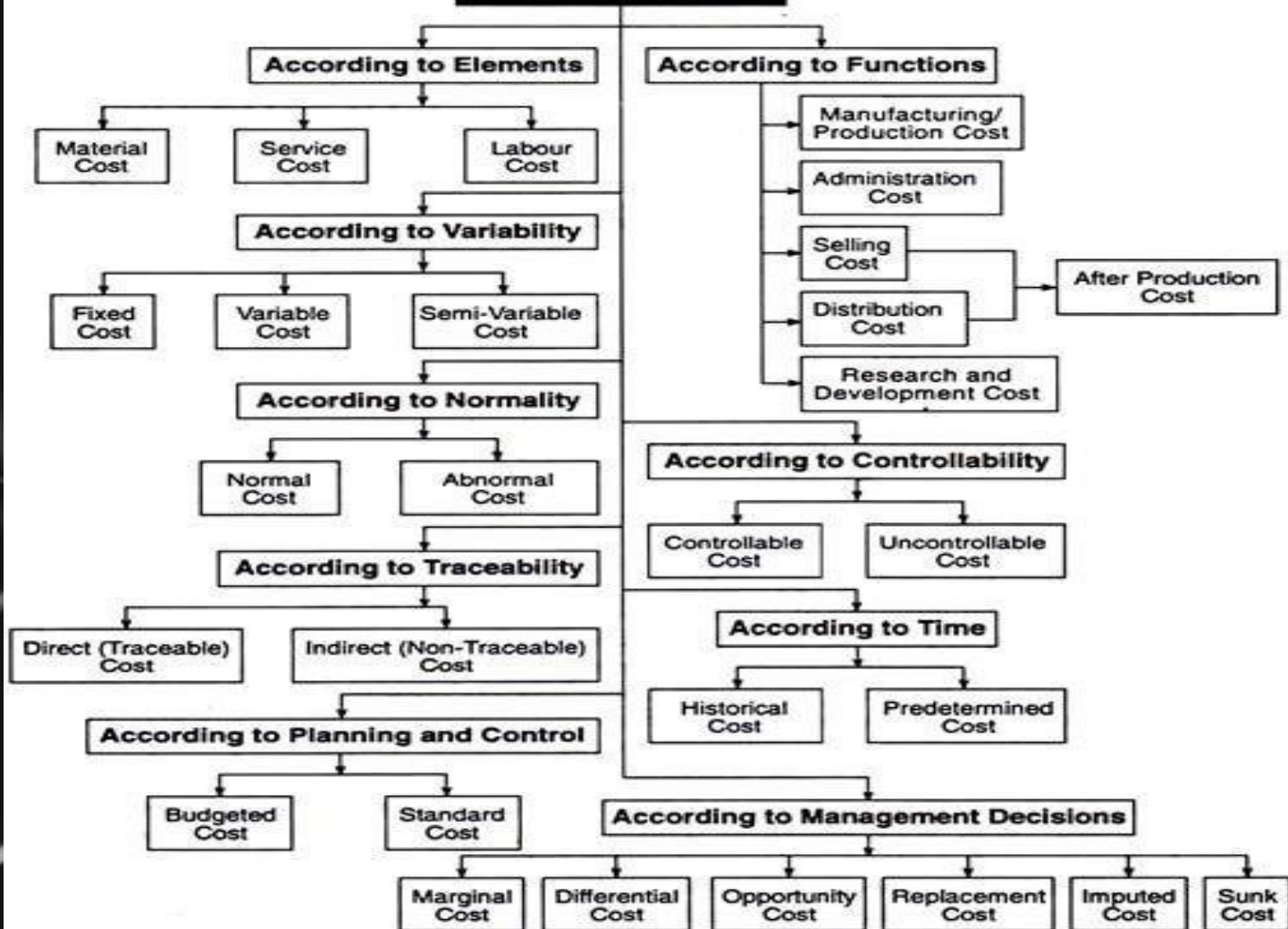
ESSENTIALS OF COST ACCOUNTING

- Accuracy
- Simplicity
- Elasticity
- Economy
- Comparability
- Promptness
- Periodical preparation of accounts
- Reconciliation with financial accounts
- Uniformity
- Equity





Classification of Costs



Classification of Cost

Cost may be classified into different categories depending upon the purpose of classification. Some of the important categories in which the costs are classified are as follows:

1. Classification of cost methods on the basis of nature of production or manufacturing process

- i. Job Costing and
- ii. Process Costing

2. Classification of Costs on the basis of their variability in relation to output:-

- i. Fixed Cost
- ii. Variable Cost
- iii. Semi-Variable and Semi-Fixed Cost

3. Costs for Managerial Decision Making :-

- i. Marginal Costing
- ii. Incremental (or Differential) Cost
- iii. Uniform Costing
- iv. Opportunity Cost
- v. Replacement Cost
- vi. Sunk Cost
- vii. Relevant Cost



Sl. No.	Point of Difference	Financial Accounting	Cost Accounting
1.	Objectives	To determine the volume of earnings and financial position	Its main purpose is to ascertain the cost and control
2.	Scope	It deals with only the monetary transactions of the business	It deals only with the cost and related aspects
3.	Utilization of Data	It uses only the financial transactions alone	It uses only quantitative information pertaining to the transactions
4.	Utility	It reveals the capacity & status of the firm	It ends only at the presentation of information
5.	Nature	It deals only the past of the firm	It deals with the past and present data

COMPONENT OF TOTAL COST

Prime cost:

Prime cost = direct material cost + direct labour cost + direct expenses

Factory cost or Work cost:

Factory cost = prime cost + factory overhead



Office cost or Cost of production:

Office cost = factory cost + office and administrative overhead

Total cost or cost of sales:

Total cost or cost of sales = office cost + selling overhead



COST SHEET

Cost sheet is an analytical statement of expenses relating to production of an article which informs regarding total cost, per unit cost and quantity of production.

According to **Wheldon**, “Cost sheets are prepared for the use of management and consequently, they must include all the essential details which will assist the manager in checking the efficiency of production.”

FORMAT OF COST SHEET

	Output in Units		
	Particulars	Amount (Rs.)	Per unit (Rs.)
	Opening stock of materials	-	-
Add:	Purchases during the period	-	-
Less:	Closing stock of materials	-	-
	Direct Material consumption	-	-
Add:	Direct Labour	-	-
Add:	Direct Expenses	-	-
	PRIME COST	-	-
Add:	Factory overheads	-	-
	FACTORY COST	-	-
Add:	Administration overheads	-	-
	COST OF PRODUCTION	-	-
Add:	Opening stock of finished goods	-	-
Less:	Closing stock of finished goods	-	-
	COST OF GOODS SOLD	-	-
Add:	Selling & distribution overheads	-	-
	COST OF SALES	-	-
Add:	Profit	-	-
	SALES VALUE	-	-

THANK YOU