

Chapter 1: basic concepts

- Cost: price paid for something. In management term, it refers to expenditure and not the price.

In cost accounting is the amount of resources used for good and services

Definition:

According to ICMA London cost refers to " the amount of expenditures incurred on a specific thing or activity

Cost accounting

- Cost accounting is the application of accounting and costing principles methods and techniques in the entertainment costs and the analysis of savings or expenses.
- cost accounting is a process of accounting for cost
- it provides detailed information of costs relating to individual products, process or department.

Costing

- Costing means the techniques and processes of ascertaining cost
- The techniques of ascertaining costs consist of body of principles and rules which governs the entire procedures of collection of cost data

Cost accountancy

- It is the application of costing and cost accounting principles, methods and techniques .
- It includes presentation of information for the purpose of managerial decisions making.

Objectives of cost accounting

- Cost determination
- Price fixing
- Cost control
- Providing basis for decision making
- Other objectives:
 - ascertaining profitability and efficiency
 - Ascertaining optimum level of output
 - Preperation of comparative cost schedule

Relationship with financial accounting

Differences between financial accounting and cost accounting

- Purpose
- Objective
- Entity
- Needs
- Nature of transaction
- Form of record keeping
- Reporting
- Unit of measurement

Methods of costing

- Job costing: this method of costing used where production is undertaken as per the order or specific requirements
- Process costing: this method is used in continuous and mass production industries.

Process costing is defined as a method of costing by which costs for a process or department are accumulated by period of time called the cost period.

Cont.

- Multiple costing: It is not an independent method of costing. It is a combination of two or more method of costing.