



THIRUTHANGAL NADAR COLLEGE

(Belongs to the Chennaivazh Thiruthangal Hindu Nadar Uravinmurai Dharma Fund)

Selavayal, Chennai-51.

A Self-Financing Co-educational College of Arts & Science

Affiliated to the University of Madras

Accredited with 'B' Grade by NAAC

An ISO 9001: 2015 Certified Institution

NAME OF THE DEPARTMENT: B.Com (CS)

SUBJECT :COST ACCOUNTING

TOPIC : INTRODUCTION TO COST ACCOUNTING

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What is cost Accounting:

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Cost:

- Cost is ‘measurement in monetary terms of the amount of resources used for the purpose of production of goods or rendering services.

Cost Accounting:

“Accounting for costs classification and analysis of expenditure as will enable the total cost of any particular unit of production to be ascertained with reasonable degree of accuracy and at the same time to disclose exactly how such total cost is constituted”.

Objectives of Cost Accounting:

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- ❖ To ascertain the Costs under different situations using different techniques and systems of costing
- ❖ To determine the selling prices under different circumstances
- ❖ To determine and control efficiency by setting standards for Materials, Labor and Overheads
- ❖ To determine the value of closing inventory for preparing financial statements of the concern
- ❖ To provide a basis for operating policies which may be determination of Cost Volume relationship, whether to close or operate at a loss, whether to manufacture or buy from market, whether to continue the existing method of production or to replace it by a more improved method of production...etc.

Nature of Cost Accounting:

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- ❖ **Cost accounting is a branch of knowledge:** cost accounting is one of the important branch of knowledge, *i.e.*, a discipline by itself. It is an organized body of knowledge consisting of its own principles, concepts and conventions.
- ❖ **Cost accounting is a science:** Cost accounting is a science as it is a body of systematic knowledge relating to not only cost accounting but relating to a wide variety of subjects such as law, office practice and procedure, data processing, production and material control,
- ❖ **Cost accounting is an art:** In the sense it requires the ability and skill on the part of cost accountant in applying the principles, methods and techniques of cost accountancy to various management problems
- ❖ **Cost accounting is a profession:** A large number of students have enrolled in these institutes to obtain costing certificates and memberships for earning their livelihood. Association of Accountants (NAA) in USA. The Institute of Cost and

Scope of Cost Accounting:

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- ❖ **Cost Ascertainment:** The main objective of Cost Accounting is to find out the Cost of product / services rendered with reasonable degree of accuracy.
- ❖ **Cost Accounting:** It is the process of Accounting for Cost which begins with recording of expenditure and ends with preparation of statistical data.
- ❖ **Cost Control:** It is the process of regulating the action so as to keep the element of cost within the set parameters.
- ❖ **Cost Reports:** This is the ultimate function of Cost Accounting. These reports are primarily prepared for use by the management at different levels.
- ❖ **Cost Audit:** Cost Audit is the verification of correctness of Cost Accounts and check on the adherence to the Cost Accounting plan. Its purpose is not only to ensure the arithmetic accuracy of cost records but also to see the principles

Thank you so much

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