

# **DEPARTMENT OF COMMERCE D. P. VIPRA COLLEGE**



**COST ACCOUNTING**

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# COST ACCOUNTING

- Cost accounting is a process of collecting, recording, classifying, analyzing, summarizing, allocating and evaluating various alternative courses of action & control of costs.
- Its goal is to advise the management on the most appropriate course of action based on the cost efficiency and capability.
- Cost accounting provides the detailed cost information that management

- Cost accounting is defined as, “the establishment of budget, standard cost and actual cost of operation, process, activities or products and analysis of variances, profitability or social use of funds.”
- Cost accounting is accounting for cost aimed at providing cost data, statements and reports for the purpose of managerial decision making.
- To control cost by using various techniques such as budgetary control, standard costing and inventory control.
- To provide information for decision making and planning to formulate operative procedures.
- To help in directing and controlling operations.
- To ascertain costing profit.
- To motivate to achieve the organization’s goals.

## **Cost system:**

- Proper accounting for cost requires systems and procedures.

## **Cost analysis:**

- It involves the process of finding out the casual factors of actual costs varying from the budget cost and fixation of responsibility for cost increase.

## **Cost control:**

- Cost accounting is utilization of cost information for exercising control. It involves a detailed examination of each cost in the light of benefit derived from the incurrence of cost.

## **Cost report:**

- The ultimate function of cost accounting is presentation of reports. These reports are primarily for use by the management at different levels. Cost reports form the basis for planning and control, performance appraisal and managerial decision making.

To management:

# COST- EFFECTIVENESS

- Cost-effectiveness analysis is often used in the field of health services, where it may be inappropriate to monetize health effect.
- Typically the CEA is expressed in terms of a ratio where the denominator is a gain in health from a measure (years of life, premature births averted, and sight-years gained) and the numerator is the cost associated with the health gain.

- Hussmann defines cost- effectiveness as “the most efficient way to achieve a set goal.” Essentially, it expresses a balance between attempts to keep costs to a minimum while maximizing the outcomes/outputs of an educational institution or programmed.
- Cost effectiveness is defined as, “the degree to which something is effective or productive in relation to its cost.”
- Collect baseline data of client. Identify at least 2 alternatives means of achieving the desired outcomes.. Identify the program goal or client outcome to be achieved.

**Thanks you**