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## NET, IAS, State-SET (KSET, WBSET, MPSET, etc.), GATE, CUET, Olympiads etc. Accountancy Cost Accounting

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### Cost and Cost Accounting

Define cost and cost accounting also give out objective of cost accounting.

cost is defined as 'required time or resources' Costs are measured in units of currency by convention. Cost means to estimate the amount of money needed to produce a product or perform a service. Cost is the total dollar expenditure for labor, supplies, and machines necessary to achieve a given objective. Cost is having different denotation and such it should not be used unless it is qualified in some particular way. Cost may be prime cost, factory cost, and cost of production, cost of sales. For ex, prime cost includes expenditure on material, labour and direct expenses. Money spent on material is termed as cost of material money spend on labour is termed as cost of labour and so on. It is important to note that there is no such thing as an exact cost or true cost because no figure of cost is true in all circumstance and for all purposes. So cost is not something definite. A cost accountant is mainly concerned with the following cost concepts.

- 1 Total cost summation of all items of expenses
- 2 Marginal cost prime cost plus variable overhead
- 3 Standard cost pre-determined cost based on technical estimate for material, labour and overhead for a selected period of time
- 4 Conversion cost sum total of direct labour and factory overhead
- 5 Direct cost aggregate of marginal cost and apportion of fixed cost

Cost accounting a branch of accounting dealing with the classification, recording, allocation, summarization and reporting of current and prospective costs and analyzing their behaviors. Cost accounting is frequently used to facilitate internal decision making and provides tools with which management can appraise performance and control costs of doing business. It is the process of identifying and evaluating production costs. That method of accounting which provides for the assembling and recording of all the elements of cost incurred to accomplish a purpose, to carry on an activity or operation, or to complete a unit of work or a specific job. Cost accounting is the process of tracking, recording and analyzing costs associated with the activity of an organization. The information regarding cost of each

product or service would enable the management to know when to economize on cost, how to fix prices, how to maximize profit and so on: