

Ch-1

Introduction to Cost and Management Accounting

Q What is Costing?

Ans Costing is the technique and process of ascertaining costs.

Q Meaning of Cost Accounting?

Ans It is the process of accounting for costs which begins with the recording of income and expenditure on the basis on which they are calculated and ends with the preparation of periodical statements and reports for ascertaining and controlling costs.

Q Meaning of Cost Accountancy?

Ans It is the application of costing and cost accounting principles, methods and techniques to the science, art and practice of cost control, ascertainment of profitability and for the purpose of managerial decision making.

Q Difference between Costing, Cost Accounting & Cost Accountancy?

Ans Costing \Rightarrow Ascertainment of costs

Cost Accounting \Rightarrow Recording of cost and preparation of periodical reports.

Cost Accountancy \Rightarrow Cost Control, Ascertainment of profit, Managemential decision making on the basis of data from Costing and Cost Accounting.

Q Meaning of Management Accounting?

Ans Asst to management for planning, organising, controlling, etc. by providing mgmt management reports & accounts.

Q Meaning of Cost Management?

Ans Management of cost related activities to provide less expensive products or services to consumer.

Q What is cost?

Ans It is the amount of expenditure (actual or notional) incurred on or attributable to, a given thing.

Q Difference between Cost Control and Cost Reduction?

Basis	Cost Control	Cost Reduction
Aim	Maintaining cost in limits of established standards.	Reduce cost and challenges all standards to better them.
Focus	On Past & Present	On Present & Future
Nature	Preventive Function	Curative Function

End achieved	When targets are achieved	No visible end
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Q Objectives of Cost Accounting?

Ans Ascertainment of costs
 Determination of selling price and Profit
 Cost Control
 Cost Reduction
 Assist Management in Decision Making

Q Scope of Cost Accounting?

Ans Costing	Cost Control
Cost Accounting	Cost Reports
Cost Analysis	Statutory compli-
Cost Comparisons	ances

Q Difference between Cost Accounting and Financial Accounting?

	Costing	Accounting
Basis	Costing	Accounting
Time Period	Past Present & Future	Historical
Presentation	Some Standard Formats	A set Format
Users	Mainly Internal Mgt.	External & Internal
Coverage	Detailed Profit / loss of each Product / Service	Entire org. Profit / loss

Purpose	Calculation of cost, into control & decision making	Provide Information you Balance sheet and Income statement
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Q Difference between Cost Accounting and Management Accounting?

Basis	Cost Accounting	Management Account.
Nature	Quantitative data only	Quantitative & Qualitative
Scope	Provides cost related data	Provides broader scope & all info- -mation.
Reviewing of data	Uses past & present data	Focus with projection for future.
Data Base	From Financial Accounting	From Cost, financial data & other sources
Rules & Regulations	Certain principles & procedures	No specific Rules

Q Users of Cost- and Management Accounting

- Ans Internal Users
- Policy Makers
 - Managers
 - Operation level staff
 - Employee

External Users

Shareholders

Auditors

Regulatory Authorities

Creditors & Lenders.

Q Essential of Good Cost Accounting System?

Ans Simple & Informative

Accurate & Authentic

Uniformity & Consistency

Integrated & Inclusive

Flexible & Adaptive

Trust on System

Q Installation of Costing System?

Ans Objective

Nature of business or industry

Organisation hierarchy

Knowing the Product

Knowing the Production Process

Information System

Maintenance of Cost Records

Statutory Compliance & Reports

Q Meaning of Cost Object?

Ans It is any item for which costs are being separately measured. It remains in nucleus (central part) of cost classification and analysis.

Q Meaning of Cost Unit?

Ans The terms in which costs are expressed or ascertained.

Industry	Cost Unit
Brewing	Barrel
Bus-making	1000 Buses
Coal mining	Tonne/ton
Electricity	Kilowatt hour (kwh)
Engineering	Contract or job
Oil	Barrel / Tonne / litres
Hotel or catering	Room or meal
Professional Services	Chargeable hour / job / cont ⁿ
Education	Course / enrollee / student / Successful student
Hospitals	Patient-day or bed-day or ward day
Credit Control	Accounts maintained
Selling	Customer call or value of sales or order taken
Materials storage	Requisition unit / issued / received or material movement or value issued / received
Personnel Administration	Personal Records

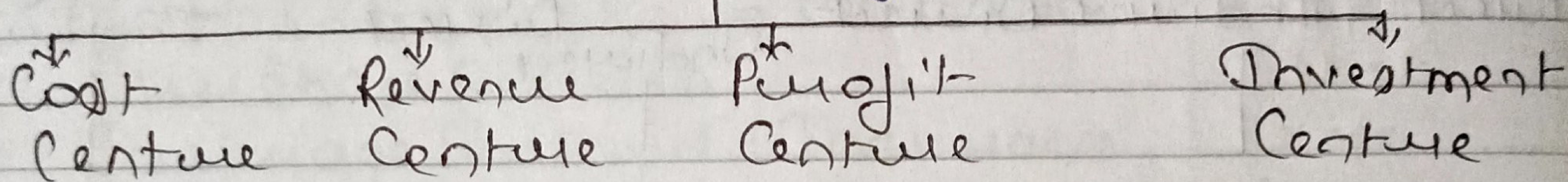
Q Meaning of cost driver?

Ans It is a factor due to which cost changes or which drives the cost.

Q Meaning of Responsibility Centre?

Ans Division or segment of an organisation where individual manager is held responsible for its segment's performance.

Responsibility Centre



Responsibility Centre

Zimmerman Part of org.

