

P.G. SEM - IV
EC- II (ADVANCED COST ACCOUNTING)
TOPIC - NATURE OF COST ACCOUNTING

Nature of Cost Accounting

1. Managerial in Nature

Cost accounting is primarily meant for internal use by management. It provides detailed cost information that helps managers in planning operations, controlling costs, and making important business decisions.

2. Recording and Classification of Costs

Cost accounting involves systematic recording and classification of costs such as material, labour, and overheads. Costs are classified according to nature, function, and behavior for better analysis.

3. Ascertainment of Cost

One of the main features of cost accounting is to determine the cost of a product, process, job, or service. This helps in fixing selling prices and measuring profitability.

4. Cost Control and Cost Reduction

Cost accounting helps in controlling costs by comparing actual costs with standard or budgeted costs. It also aims at reducing unnecessary expenses without affecting quality.

5. Use of Both Past and Future Data

Cost accounting uses historical data to analyze past performance and also prepares estimates and budgets for future planning.

6. Analytical and Detailed

Cost accounting provides detailed and analytical information about costs, unlike financial accounting which gives summarized results. This detailed analysis helps management identify inefficiencies.

7. Flexible and Dynamic

The cost accounting system is flexible and can be modified according to the nature and size of the business. It adapts to changes in production methods and business environment.

8. Continuous Process

Cost accounting is not a one-time activity. It is a continuous process that operates throughout the life of the business to ensure efficient cost management.

Conclusion

In conclusion, the nature of cost accounting shows that it is an important management tool used for cost determination, cost control, and decision-making. By providing accurate and detailed cost information, cost accounting helps businesses improve efficiency, reduce costs, and increase profitability. Hence, cost accounting plays a vital role in the successful management of any organization.