

**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.