

COST CONTROL

- To have strict control on TC
- accurately assert for unit & processing costs.
- detect sources of wastage
- estimate the cost of proposed production.

Techniques:

- Budgetary control
- inventory control
- standard costing
- Ratio analysis
- Variance

Standard costs
= Production costs.
Budgets are
prepared w.r.t.
standard costs.

by preparing budget.

Maintain the size
of inventory @
some desired level
for the best
economic interest
of an organization.

?
actually
spent
cost

Actual cost	vs	Std. Cost
Actual Profit	vs	Std. Profit

→ difference =
variance
Standard costing
to report variance
to mgmt.

→ quantitative analysis
of data enclosed in an enterprise's
financial statement.

→ to assess an enterprise's liquidity, profitability, performance.

→ Comparing & analysing financial data by computing meaningful financial statements values rather than comparing line items from each financial statement.

→ Variance analysis:

- Analyze ^(deviation) variance b/w actual & budgeted costs & profits, and identify causes behind the variance.
- Revise unrealistic budgets
- Improve company's performance.
- helps to understand what causes fluctuation
- improve budgeting.