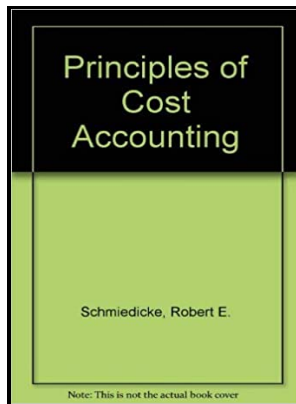


Basic cost accounting concepts

Houghton Mifflin - Cost Terms, Concepts and Classifications



Description: -

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Cost accounting Basic cost accounting concepts

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Cost accounting basics — AccountingTools

These cost accounting basics form the fundamental tasks of the cost accountant in supporting the decision making of the management team. Profit centre is different from cost centre. What are the Basics of Cost Accounting? Matching Principle — When revenue is recorded all related expenses are recorded in the same period in order to provide an accurate picture of the profitability of the business.

Cost Accounting

The activity, which is known as the independent variable, is plotted on the X horizontal axis. Each of the tasks just noted can be employed to gain a better understanding of how a business generates profits.

Managerial Accounting

Under ABC, the trinkets are assigned more overhead related to labor and the widgets are assigned more overhead related to machine use. Idle Facilities Cost and Idle Capacity Cost If available facilities remain idle and some loss incurred due to it, it is called idle facilities cost.

2. Basic Concepts of Cost

Cost Behavior Criteria What would be our cost next year if our production is doubled? For example, a company has its own trucks for transporting raw materials and finished products from one place to another. These costs cannot be easily traced to specific units produced also called indirect manufacturing cost, factory overhead, and factory burden.

2. Basic Concepts of Cost

In case a concern has a sound costing system, the ascertained costs will greatly help the management in the process of estimation of rational accurate costs which are necessary for a variety of purposes stated above. The study facilitates measuring the efficiency of an organization as a whole or department-wise as well as devising means of increasing efficiency. The total expenses regarding operation are divided by the appropriate units e.

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Previously, cost accounting was merely considered to be a technique for the ascertainment of costs of products or services on the basis of historical data.

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