



# SNS College of Technology

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INSTITUTIONS

Coimbatore - 35

23BAT605 – FINANCIAL STATEMENT ANALYSIS  
Unit III – Costing to Cost Accounting

Topic: Guess?????



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**1<sup>st</sup> Indian Institution to Implement Design Thinking Curriculum**

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Topic....





# TECHNIQUES OF COSTING





# BUDGETARY CONTROL

## Budgetary Control

Budgetary control is the use of the comprehensive system of budgeting to aid management in carrying out its functions like planning, coordinating and control.

TB TOPPERS BULLETIN





# Budgetary Control

## (Types)

### Operational Budgetary Control

It covers the revenue and operating expense which are essentials to running day to day business.

### Cash Flow Budgetary Control

This is an important budget which keeps control over the working capital requirement and cash management

### Capex Budgetary Control

It covers capital expenditures like buying machinery or constructing a building.





## BUDGET AND BUDGETARY CONTROL

### **ADVANTAGES** AND **LIMITATIONS**

1. MAXIMIZATION OF PROFITS
2. EFFICIENT
3. SPECIFIC AIMS
4. PERFORMANCE EVALUATION
5. STANDARD COSTING AND VARIANCE ANALYSIS
6. CORRECTIVE ACTION
7. COST REDUCTION
8. POLICY FORMATION

1. THE BUDGET PLAN IS BASED ON ESTIMATES
2. DANGER OF RIGIDITY
3. BUDGETING IS ONLY TOOL OF MANAGEMENT
4. FALSE SENSE OF SECURITY
5. LACK OF COORDINATION
6. EXPENSIVE TECHNIQUE



## 4] Differential Cost

### Differential Cost

- Difference between cost of alternative choices
- **Marginal/Incremental cost**
- Deals with determination of incremental revenue, costs and margins
- Variable costs are significant
- Fixed costs might be included

Particulars	Present Situation (\$) (A)	Post Accepting Offer (\$) (B)	Difference (\$) C = (B - A)
Sales	24,000	26,500	2,500
<b>Variable cost</b>			
Manufacturing Exp	13,600	15,300	1,700
Marketing Exp	4,000	4,500	500
<b>Contribution</b>	6,400	6,700	300
<b>Fixed cost</b>	4,800	4,800	0.00
<b>Profit</b>	1,600	1,900	300







# Example of Differential Cost



The following example will illustrate the computation of differential cost:

	Alternative I	Alternative II	Differential Cost
Sales	Rs. 50,000	80,000	Rs. 30,000
Direct Material	7,500	12,000	4,500
Direct wages	10,000	16,000	6,000
Semi-variable overheads	7,500	9,000	1,500
Fixed overheads	10,000	10,000	
Total cost	35,000	47,000	12,000
Profit	15,000	33,000	18,000





## 5] Standard Costing



### What is Standard Costing?

Standard costing compares the standard costs and revenues with the actual results of the process, finds the reasons for the variances, provides information about deviations to management for taking steps to improve it.

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# PURPOSE OF STANDARD COSTING





## Process of Standard Costing





# Time for the assessment...



- Define budgetary control
- Define purpose of standard costing





# Summary

## TECHNIQUES OF COSTING

SUMMARY





# References...



<https://businessjargons.com/standard-costing.html/>

<https://www.iedunote.com/standard-costing>





Thank  
you





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