



SNS College of Technology

Coimbatore - 35



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

Topic: Guess?????



Presented by

Ms. S. Swarnam
Design Thinker

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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
Variable cost			
Manufacturing Exp	13,600	15,300	1,700
Marketing Exp	4,000	4,500	500
Contribution	6,400	6,700	300
Fixed cost	4,800	4,800	0.00
Profit	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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