

B. Com III (Cost Accounting)

* Meaning of Cost Accounting :-

Cost Accounting is a vital aspect of financial management, encompassing processes to systematically record, analyze, and manage an organization's costs. This discipline provides insights into the cost structure, aiding businesses in decision-making, budgeting and overall financial planning.

At its core, cost accounting seeks to allocate costs to various business activities, allowing for a comprehensive understanding of where resources are utilized. This information proves invaluable for both short-term tactical decisions and long-term strategic planning.

* Key components of Cost Accounting :-

① Direct Costs and Indirect Costs :-

⇒ Direct Costs :- These are expenses directly tied to producing a specific product or service, such as raw materials and direct labor.

⇒ Indirect Costs :- These are incurred for overall operational activities and are shared among various products or services. Examples - utilities and administrative salaries.

② Fixed Costs and Variable Costs :-

⇒ Fixed Costs :- Remain constant regardless of production levels.
example :- Rent, Salaries. ⇒ Material, hourly wages.

⇒ Variable Costs :- Vary with production levels. Example :- Raw