B.COM III
(Cost Accounting)

Q) Explain marginal costing, standard costing, budgetary control and uniform costing?

Marginal Costing:

Marginal costing is a costing technique where only variable costs are considered in determining the cost of a product or service. This approach is based on the premise that fixed costs are not affected by changes in production levels in the short term. Therefore, fixed costs are treated as period costs and are not included in the calculation of the cost per unit.

Marginal costing is useful for decision-making purposes, as it provides information on the contribution margin of a product or service. The contribution margin is the difference between the sales revenue and variable costs and represents the amount that contributes to covering fixed costs and generating a profit.

Standard Costing:

Standard costing is a costing technique where standard costs are predetermined for each element of cost (such as materials, labour, and overheads) based on expected levels of efficiency and expenditure. These standard costs are then compared to actual costs to determine variances, which can help management identify areas of inefficiency and take corrective action.

Standard costing is widely used in manufacturing industries to control costs and improve efficiency. By setting standards for costs and performance, companies can establish benchmarks for measuring performance and identify areas for improvement.

Budgetary Control:

Budgetary control is a process where budgets are prepared for various functions and activities of an organization and are used as a tool for planning, coordination, and control. Budgets can be prepared for income, expenditure, production, and capital expenditure, among other things.

Budgetary control involves comparing actual performance against budgeted performance and taking corrective action where necessary. It helps management monitor performance, control costs, and achieve organizational objectives.

Uniform Costing:

Uniform costing is a system where multiple companies in the same industry agree to use the same costing principles, methods, and techniques for the purpose of cost comparison and control. This allows companies to compare their costs with industry averages and identify areas where they may be underperforming.

Uniform costing is particularly useful in industries where there are common cost structures and where cost comparison is meaningful. It helps companies benchmark their performance against industry standards and improve their cost competitiveness.

In conclusion, marginal costing focuses on variable costs, standard costing uses predetermined costs for comparison, budgetary control involves planning and monitoring budgets, and uniform costing allows for cost comparison among companies in the same industry. Each of these costing techniques plays a valuable role in helping organizations manage costs and improve efficiency.