

**JAIIB Examination**  
**10-Minute a Day Series**  
**Accounting & Financial Management for**  
**Bankers**  
**Module D – Basics of Cost Accounting**



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# Concept of Cost

## Need of Cost Accounting

As a financial accountant, my objective is to show true and fair picture of financial position of an organisation.



As part of the management of the organisation, this is not enough for me. I want complete and accurate information about the financial operations of the organisation for effective decision making.



- Cost and management accounting techniques are used by e management in solving the specific problems as also aiding them in decision making.



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# Concept of Cost

I calculate the cost of producing 1 iPhone and sell it at a premium.



Why are iPhones so costly?



## What is Costing?

- Costing means ascertaining costs incurred in producing a specific product or service.
- Cost may involve various elements like materials, labour, energy, transport, depreciation etc.



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# What is Cost Accountancy?



Monthly expenditure of factory: ₹50 lakh

Should We Allocate ₹10 lakh to Each of the 5 Products?

Manufacture Process

Number of workers

Different Raw Materials

## What is Cost Accountancy?

- It involves identifying, measuring, recording, allocating and communicating economic information, related to a product or service; in terms of money.



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# What is Cost Accountancy?

## OBJECTIVES

- a. To record, analyse, and classify all expenditures related to the cost of products & services.
- b. To determine the cost of each unit, process, or department.
- c. To compare the actual costs with the prevailing cost standards or estimates for avoiding unnecessary wastages of resources.
- d. To provide the necessary information to enable management to make specific or long-term economic decisions.



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# Advantages of Cost Accounting

Deciding the price of products and services

Decide on reducing production of certain products and increasing production of some others

Reducing wastages of materials and other resources

Develop strategies during recession or intense competition

Inventory management

Comparing actual costs with cost standards or estimates



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*Thank You*

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