

COST ACCOUNTING - COST CONTROL

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Conceptually, accounting is the discipline that provides information on which external and internal users of the information may base decision that result in the allocation of economic resource in society.

...Slavin and Reynolds

Accounting provides business-related information to the owner, the management, the employees of the company as well as to the government, creditors, investors, and customers.

Financial accounting is based on actual past and cost accounting is based on planning and controlling. Preparation of budget is a part of planning and controlling relates to putting a check on the actual function of planning. Comparison of budgeted with actual performance provide the management an idea to eliminate weak performances.

Cost Control Techniques

Costs can be controlling by employing the following methods:

- Material Control
- Labor Control
- Overheads Control
- Standard costing
- Budgetary Control
- Capital Expenditure Control
- Productivity and Accounting Ratios

Requirements for Successful Cost Control

The following requirements are to be fulfilled to implement successful cost control:

- A plan and a set of well-defined responsibilities to all executives are essential.
- Clear definition of tasks for performance and cost to execute those tasks.
- A fixed responsibility, in case of deviation between targeted and actual.
- Prompt collection of performance data from each department of an organization as the delay in information equals to no information and the management is unable to take correct decision due to lack of complete information.
- Highlights of good and bad, both performances to enable the management to take corrective steps.
- Reward for good performances and Punishment for the poor ones.