TITLE PAGE:

## ***IQRA NATIONAL UNIVERSITY***

ASSIGNMENT

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| ID | 14834 |
| SEMESTER | BBA(4TH) |
| DATE | WEDESDAY,17 JUNE |

***COST ACCOUNTING***

ASSIGNMENT TOPIC:

(800 WORDS ON WHAT WE HAVE STUDIED)

We have studied following topics which include:

* Cost accounting – concepts and objectives
* Financial statements
* Costs: concepts, uses and classifications
* Job Order costing
* Process costing

FIRST OF ALL, WE WILL DISCUSS CONCEPTS AND OBJECTIVES OF COST ACCOUNTING?

Cost accounting is the accounting method for ensuring cost-effectiveness by accumulating, organizing, recording, calculating, analyzing and assessing the overall expenses incurred on a product, process or project, etc. It is mostly used in industrial units or factories where the goods are manufactured.

The purpose of cost accounting is to know the manufacturing cost of each product of the company. The cost of product is then used in determination of optimum selling prices, and it is helpful because it can identify where a company is spending its money, its Profit and Loss.

Reporting, Analyzing and leading to the improvement of internal cost controls, is an Aim of cost accounting.

* First thing is concept of management which consists of Upper level, middle level and lower level. These levels show that it consists of people whose activities must be planned and controlled through decisions, directions from upper level
* For setting company’s goals and plans, this information is needed for top

level management

NOW WE WILL DISCUSS FINANCIAL STATEMENTS AND ITS REPORTS:

FINANCIAL STATEMENT:

Financial statements are reports made by a company’s management to present the financial performance and position at a point in time.

There are the following reports for financial statement:

1. Income statement
2. Balance sheet
3. Statement of cash flows
4. Statement of retained earnings

(In income statement the costs of goods sold is shown in one figure but additional information is also important for future planning)

NOW WE WILL DISCUSS COSTS, ITS USES:

Cost is exchange price, sacrifice made to secure benefit.

The term cost is also referred as expense which means expired cost. Cost term is used for both assets and expense.

Expenses are the measured outflow of the goods and services that are matched with revenue to determine the income.

There are two types of costs:

* FIXED COST (SIMILAR TO INDIRECT COST)
* VARIABLE COST (SIMILAR TO DIRECT COST

Uses of cost data

All the information regarding cost data serve the following uses and aims.

1: planning profit by means of budgets

2: controlling costs via responsibility accounting

3: measuring annual or periodic profit, including inventory costing

4: assisting in establishing, selling, prices, and pricing policy

5: Furnishing relevant cost data for analytical processes for decision making.

IN THIS PAGE WE WILL DISCUSS JOB ORDER COSTING AND PROCESS COSTING:

**Job order costing:**

Job order costing is a system that takes place when customers order small, unique batches of products. This system determines the price of each individual product and ensures that the cost for each product is reasonable enough for a customer to purchase it while still allowing the company to make a profit.

**Process costing:**

Process costing is a method of costing used mainly in manufacturing where units are continuously mass-produced through one or more processes. Examples of this include the manufacture of erasers, chemicals or processed food. In process costing it is the process that is costed (unlike job costing where each job is costed separately). The method used is to take the total cost of the process and average it over the units of production. Cost per unit = Cost of inputs Expected output in units.

**Characteristics of process costing:**

* The production is continuous.
* The product is homogeneous.
* The process is standardized
* The output of one process becomes the RAW materials of another process.
* The output of the last process is transferred to finished stock.
* Costs are collected process- wise.

**Product flow:**

Flow production often known as mass production involves the use of production lines such as in a car manufacturer where doors, engines bonnets and wheels are added to a chassis as it moves along the assembly line. It is appropriate when firms are looking to produce a high volume of similar items.

**Material cost:**

Material costing is the process of determining the costs at which inventory items are recorded into stock, as well as their subsequent valuation in the accounting records.

**Labor cost:**

The cost of labor is the sum of all wages paid to employees as well as the cost of employee benefits and payroll taxes paid by an employer.

END