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Commentary

Features of cost accounting

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DESCRIPTION

The term cost is the money used for the purpose of producing something. Since it has been already utilized, it is not available for any other use. The cost also includes the money spent for acquiring something. From business point of view, the expenditure incurred for acquisition and repair purpose constitutes as cost.

Cost accounting may be defined as the process of accounting for cost. The process involves recording as well as controlling of various costs. This is a formal system of accounting which ascertains and controls costs related to various products and services. According to the ICMA, London cost accounting is the process of accounting for cost which begins with the recording of income and expenditure and ends with the preparation of periodical statements and reports for ascertaining and controlling costs. According to LC cropper cost accounting means a specialized application of the general principles of accounting in order to ascertain the cost of producing and marketing any unit of manufacture or of carrying out any particular job or contract.

Cost accounting is characterized by the following features:

Cost accounting is a branch of knowledge

Generally, cost accounting is perceived to be one of the branches of financial accounting. However, a close study of the subject reveals that it is a separate stream of knowledge, independent of financial accounting. The underlying concepts, principles, conventions, etc. pertaining to cost accounting gives it a status of a self-sufficient discipline. Such principles, rules, etc., however, differ from one industry to another.

Cost account is a science

Cost accounting may be considered as a science, as it

exhibits all the features as per the definition of science. The subject essentially entails an orderly knowledge of costing aspects of various products and processes. However, the subject also covers a broad range of numerous fields of knowledge such as law, office management, data processing, production management, material control etc.

Cost accounting is an art

Cost accounting may also be considered as a form of 'Art' keeping in view the application of its principles, procedures and techniques in solving many of the management problems. Such management problems may relate to cost assessment, monitoring the cost aspect, forecasting of profitability, etc.

Cost accounting is a profession

Of late, the cost accounting has been evolved as a significant and challenging profession. A considerable number of students all over the world have shown inclination to get trained and join this profession. This has prompted the authorities of various countries to establish professional bodies to cater to the needs of such aspiring students. Some of such professional bodies are 'National Association of Accountants' of USA, The institute of cost and management Accountants of UK, and 'The institute of cost and Works Accountants' of India. The number of students interested in joining the profession of cost accounting has shown a growing tendency over the last many years.

Cost accounting is concerned with money as a measure of commercial activities of the business organisation. The scope of cost accounting includes the measurement of the economic performance of various cost centres. It provides appropriate data for the measurement of the economic performance of cost centres. Cost accounting focuses on collection, classification and analysis of cost data. Cost accounting is concerned with the data pertaining to the past and current operations.

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