



# Costing & Budgetary Control

By

**Dr. Radhika Meenakshi Shankar**





What does it Cost you to take  
your spouse/ friend for a  
movie in PVR?

# Cost Efficiencies- Cost Cutting

**What does it cost you to buy 5kgs of Atta?How can you cut costs?**

- **Voice power- How much you bargain-**
- **Discounts**
- **Bulk buy - then storing headaches**
- **Buy in season**
- **Buy 2 take 3 free...**
- **Don't buy at all!!!**
- **Substitute a cheaper quality**
- **Buy wheat from farmer and use local flour mills...**



# What is Cost ?

- REPRESENTS A SACRIFICE FORGONE OR A RELEASE OF SOMETHING OF VALUE
- $COST = USAGE \times PRICE.$
- COST IS A MEASUREMETN IN MONETARY TERMS OF THE AMOUNT OF RESOURCES USED FOR SOME PURPOSE

# COST DEPENDS ON

- VOLUME LEVEL
- NUMBER OF PRODUCTS
- WORK PROCESSES
- JOBS
- RESPONSIBILITY
- CONTROL

# COST CLASSIFICATION

- PROCESS OF GROUPING COSTS ACCORDING TO COMMON CHARACTERISTICS
- NATURE-material,labour,expenses
- Different costs for different purposes!!!

# COST CLASSIFICATION- CONT

- VARIABILITY- FIXED,VARIABLE
- FUNCTIONAL AREAS-MKT,PRDN
- RESPONSIBILITY-CONTROL
- TRACEABILITY- DIRECT&INDIRECT
- CHARGEABILITY- PERIOD,REVENUE
- RELEVANCE- RELEVANT COSTS TO D.M.

# COST CLASSIFICATION CONT...

- CONTROLLABILITY
- NORMALITY
- CAPITAL/REVENUE
- TIME-sunk/historical/estimates
- PLAN-standards,budgets
- DECISIONS-  
replacement,avoidable/marginal/out of  
pocket/opportunity



# COST UNIT

- DEVICE FOR THE PURPOSE OF BREAKING UP OR SEPERATING COSTS INTO SMALLER SUB DIVISIONS ATTRIBUTABLE TO PRODUCTS OR SERVICES
- EXAMPLE- NUMBER OF UNITS
- TIME- PER HOUR
- SERVICE RENDERED. – I HAIRCUT

# Concepts to keep in mind

- Cost objectives are also referred too as **COST CENTRES-** RESPONSIBILITY CENTRES FOR WHICH COSTS ARE ACCUMALATED.

- **COST ACCUMALATION**

COLLECTING COSTS BY NATURAL CLASSIFICATION

- **COST ALLOCATION**

TRACING & REASSIGNING COSTS TO ONE OR MORE COST OBJECTIVES

# BUDGET

- A PLAN IN QUANTITATIVE TERMS
- FUTURISTIC PROJECTIONS
- FORECASTING OF COSTS & REVENUE IN FUTURE
- TIME BOUND
- CONTROL BY COMPARING ACTUALS WITH BUDGETED.

# EXAMPLES

- CASH BUDGET
- OFFICE ANNUAL BUDGET
- SALES BUDGET- NOS OF SERVICES TO EXECUTE.(no of parcels in speedpost/ no of complaints serviceable)