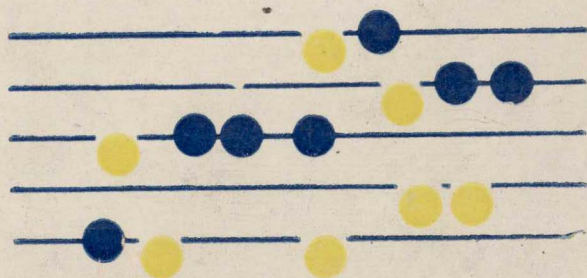


THEORY AND PROBLEMS OF COST ACCOUNTING

M. N. ARORA



SULTAN CHAND & SONS

THEORY AND PROE OF COST ACCOUNTING

[For III year B. Com. Bombay, B. Com. (Pass) Delhi
according to new Syllabi and other equivalent courses]

M. N. ARORA

M Com., Grad. CWA

Lecturer in Commerce

Hans Raj College

University of Delhi

DELHI

1980



Sultan Chand & Sons

PUBLISHERS

23, Daryaganj, New Delhi-110002

★ *First Edition Dec., 1980*

★ *Price : Rs. 15.00*

★ *Paper used for printing of this book was made available by the Government of India at concessional rates.*

★ *Published by*
Sultan Chand & Sons,
4792/23, Daryaganj
New Delhi-110002
Phones : 278659, 277843

★ *Composed by*
Friends Printers
7828, Nai Basti
Bara Hindu Rao, Delhi

★ *Printed at*
Saini Printers, Pahari Dhiraj, Delhi

Preface

"To be complicated is simple, but to be simple is complicated." These words can better express the purpose of this book. Cost Accounting is a technical field and learning of it means familiarising oneself with many new terms and concepts. Once one has learned these basic concepts, the rest will quickly fall into place. As the book is intended to serve as a text for B. Com. students, who are beginners to the subject, I have given it a quality of simplicity.

I am convinced that the only way students can really absorb cost accounting is by solving problems. The *Theory and Problems* approach is designed to clarify the detailed subject-matter. In addition to a good number of illustrations, each chapter is equipped with a considerable number of problems. Most of these problems have been selected from the B. Com examinations of various universities and thus the variety of these is extensive. Difficult points in problems have been explained in working notes and hints. Self-examination problems in appendix offer an alternate set of problems with the object of providing another opportunity to practise what students have learned. In addition to its usefulness to students, lecturers will also find this book a suitable basis for planning their lectures. I shall feel amply rewarded if the book proves useful to both students and lecturers alike.

It is my pleasant duty to acknowledge the encouragement received from my colleagues and friends Sh. N. D. Kapoor, D. Pagare and S. K. Dhawan. My thanks go to my wife whose support has been invaluable in the preparation of this book. The publishers Sultan Chand & Sons also deserve a word of thanks for the interest they have shown in this work of mine.

Lecturers and students are cordially invited to forward comments and suggestions to the publishers for consideration.

Hans Raj College
Delhi University, Delhi
14th Nov. 1980

M. N. ARORA

CONTENTS

<i>Chapter</i>	<i>Pages</i>
1. Introduction ... <p>Origin and application ; Meaning and sub-divisions of cost accountancy ; Financial accounting and cost accounting compared ; Limitations of financial accounting ; Concepts of cost ; Cost unit and cost centre ; Objects and advantages of costing ; Installation of a costing system ; Methods of costing ; Examination questions.</p>	1—11
2. Classifications and Elements of Cost ... <p>Functional classification ; Classification according to cost behaviour or variability ; Direct and indirect cost ; Historical and predetermined cost ; Controllable and uncontrollable costs ; Elements of costs ; Examination questions.</p>	12—18
3. Material Cost ... <p>Meaning and classification ; Material control ; Stock levels ; ABC analysis ; Purchasing of materials ; Store-keeping ; Material losses ; Issue of materials ; Return of materials ; Transfer of materials ; Materials abstract ; Perpetual inventory ; Bin card ; Stores ledger ; Methods of pricing material issues ; Miscellaneous Illustrations ; Examination questions.</p>	19—53
4. Labour Cost and Direct Expenses ... <p>Direct and indirect labour ; Time keeping ; Time booking ; Payroll ; Payment of wages and prevention of frauds ; Overtime ; Casual workers and out workers ; Idle time ; Leave wages ; Annual bonus ; Labour turnover ; Methods of wages payment ; Illustrations ; Examination questions.</p>	54—81
5. Overhead ... <p>Definition ; Classifications ; Steps in overhead accounting ; Collection of overheads ; Allocation and apportionment ; Bases of apportionment ; Re-apportionment of service department costs ; Absorption of overheads ; Choice of an absorption method ; Methods of absorption ; Under- and over-absorption ; Illustrations ; Treatment of specific items of factory overhead ; Administration overhead ;</p>	82—116

<i>Chapter</i>	<i>Pages</i>
Selling and distribution overhead ; Examination questions.	
6. Cost Sheet	... 117—145
Meaning ; Application of unit or output costing ; Purpose ; Specimen cost sheet ; Treatment of stocks of raw materials, work-in-progress and finished goods ; Illustrative cost statement ; Illustrations ; Examination questions.	
7. Reconciliation of Cost and Financial Accounts	... 146—161
Meaning and need ; Reasons for difference between cost and financial profit ; Method of reconciliation ; Memorandum Reconciliation Accounts ; Illustrations ; Examination questions.	
8. Job and Contract Costing	... 162—186
Job costing ; Special features ; Costing procedure ; Advantages and limitations ; Illustrations ; Contract costing ; Difference between job and contract costing ; Costing procedure ; Cost-plus contracts ; Illustrations ; Examination questions.	
9. Process Costing	... 187—215
Application to various industries ; Characteristics ; Process costing and job costing compared ; Advantages and disadvantages ; Costing procedure ; Process losses—normal loss, abnormal loss and abnormal gain ; Inter-process profit, Equivalent production ; By-products and joint products ; Illustrations ; Examination questions.	
10. Operating Costing	... 216—223
Meaning and Application ; Features ; Operating costing and operation costing ; Costing procedure, Specimen operating cost sheet ; Miscellaneous illustrations ; Examination questions.	
11. Marginal (Variable) Costing and Break-even Analysis	... 224—253
Introduction ; Fixed and Variable costs ; Concept of marginal cost and marginal costing ; Basic characteristics of marginal costing ; Marginal costing Vs Total absorption costing ; Contribution ; P/V ratio ; Break-even analysis—meaning, assumptions and uses ; Break-even point ; Illustrations ; Break-even chart ; Advantages and limitations of marginal costing ; Marginal costing and management decisions ; Examination questions.	

<i>Chapter</i>	<i>Pages</i>
12. Standard Costing	... 254—265
Meaning and limitations of historical costing ; Concept of standard cost and standard costing ; Characteristics ; Applications ; Standard cost and estimated cost—compared ; Advantages and limitations ; Analysis of variances—material, labour and overhead variances ; Examination questions.	
13. Budgetary Control	... 266—271
Concept of budget and budgetary control ; Budgetary control and standard costing compared ; Objectives, advantages and limitations ; Installation of budgetary control system ; Types of budgets ; Functional, fixed and flexible budgets ; Examination questions.	
Appendix I—Self-Examination Problems	... 272—296
Cost sheet ; Contract costing ; Process costing ; Reconciliation of cost and financial accounts.	
Appendix II	... 297—302
Solved paper—B. Com. Bombay, May 1980 .	

Introduction

The technique of accounting for costs was not considered seriously until the beginning of the present century. Starting off as a branch of financial accounting, cost accountancy may now well be regarded as a profession in its own right. The vital importance that cost accounting has acquired in the modern age is because of the changing pattern of industry and commerce. Before the machine age, man pursued his craft individually and could ascertain the cost of his work by simple methods. It is since the commencement of the Industrial Revolution that a widespread interest in cost accountancy has developed. This development was prompted by necessity, as vital quantities of diverse products were produced by complicated and complex methods. It was after the First World War that cost accounting became fully accepted and began to develop techniques that are accepted as axiomatic today.

In the early stages of its development, cost accounting largely dealt with factory costs for use in inventory valuation, pricing and profit determination. These are still important aspects of cost accounting, but its scope has been broadened to include administration and distribution costs and cover areas such as cost control, budgeting and cost determination for a variety of managerial uses. The central theme of cost accounting, in a broad sense, is to provide information largely in the areas of costs, which will be useful in controlling the operations of a business.

Applicability

Cost accounting is generally considered as being applicable only to manufacturing operations. This is not so. All types of activities, manufacturing and non-manufacturing, in which monetary value is involved should consider the use of cost accounting concepts and techniques. Wholesale and retail businesses, banking and insurance companies, airways, railways shipping and road transport companies, hospitals, universities, schools, colleges, hotels, farming, all may employ cost accounting in order to operate efficiently. It is a matter of recognition by the management of the applicability of these concepts and techniques to their own fields of endeavour.

Cost Accountancy

Cost accountancy is a wide term. It is used to describe the principles, conventions, techniques and systems which are employed in a business to plan and control the utilisation of its resources. The Institute of Cost and Management Accountants, London, defines Cost Accountancy as *"the application of costing and cost accounting principles, methods and techniques to the science, art and practice of cost control and the ascertainment of profitability. It includes the presentation of information derived therefrom for the purpose of managerial decision making."*

Sub-divisions of Cost Accountancy

Cost accountancy is a comprehensive term and includes the following :

- (i) Costing
- (ii) Cost accounting
- (iii) Cost control
- (iv) Cost audit.

Costing. It is "the techniques and processes of ascertaining costs"—I.C.M.A. It has also been defined as "the classifying, recording and appropriate allocation of expenditure for the determination of costs ; the relation of these costs to sales value and the ascertainment of profitability." Wheldon.

In simple words, costing is a systematic procedure for determining :

- (a) the cost of manufacturing a product, *e.g.*, furniture, machine, etc. ; and
- (b) the cost of giving a service, *e.g.*, transport service.

Cost Accounting. Cost accounting is the process of accounting for costs. It begins with the recording of income and expenditure and ends with the preparation of periodical statements.

Costing should not be confused with cost accounting. Costing signifies the techniques and processes of ascertaining costs, whereas cost accounting denotes the formal system of accounting for costs. However, these two terms are used interchangeably.

Cost control Previously, costing was employed solely for the purpose of ascertaining costs. But now it is the primary function of costing to furnish such information to management so as to enable it to control the costs. Cost control is exercised through a variety of techniques, such as standard costing, budgetary control, inventory control, etc.

Cost Audit. Cost audit is "the verification of cost accounts and a check on the adherence to the cost accounting plan". The main functions of cost audit are :

- (a) To verify that cost accounts have been properly maintained and compiled.
- (b) To see that costing plan laid down is carried out.
- (c) To detect errors and prevent frauds.

FINANCIAL ACCOUNTING AND COST ACCOUNTING

Financial or General Accounting is a systematic way of recording the financial transactions and events of business. Its purpose is the preparation of Profit and Loss Account and Balance Sheet. The profit or loss for the period is considered to be the most significant figure in the accounting reports.

Cost accounting may be regarded as that branch of accounting function which provides detailed cost information to management for various purposes. It grew out of the needs of management to know in detail the costs involved in producing goods and services.

Both financial accounting and cost accounting are concerned with systematic recording and presentation of financial data. The two systems rest on the same principles concerning debits and credits and have the same sources of recording the transactions. But there are important **differences** between the two. These are :

1. *Purpose.* The main purpose of financial accounting is the preparation of Profit and Loss Account and Balance Sheet. These two statements are usually prepared annually for reporting to parties external to business, e.g. shareholders, bankers, creditors, Government agencies like Income Tax and Excise authorities etc.

Cost accounting, on the other hand, is directed towards providing detailed cost information to management for the purpose of cost control, planning and decision making.

2. *Periodicity of Reporting.* Financial accounting reports (i.e., Profit and Loss A/c and Balance sheet) are prepared periodically, i.e., at the end of the accounting year.

Cost accounting aims at continuous reprotng of costs and related information at short intervals. Cost reporting may be daily, weekly, fortnightly, monthly etc.

3. *Statutory Requirments.* Financial accounts have to be prepared according to the requirements of Compaines Act and Income Tax Act.

Maintence of cost accounts is purely voluntary. However, the Companies Act was amended in 1965 making it obligatory for some companies engaged in production, manufacturing and mining activities to maintain proper cost records.

4. *Analysis of Cost and Profit.* The cost figures are, no doubt, available in financial accounts, but only in totals. Financial accounts donot reveal the figures of cost and profit for individual products, departments, processes, etc.

Cost accounts on the other hand disclose detailed cost and profit information for each section of the business i.e., product line, department, process etc. This enables the management to eliminate less profitable product lines and maximising the profits by concentrating on more profitable ones.

5. *Control Aspect.* Financial accounting lays move emphasis on recording of transactions and does not provide for adequate control over costs.

Cost accounting provides for detailed systems of control over all elements of cost.

6. *Actual and Estimated costs.* In financial accounting, only actual costs incurred are recorded.

In cost accounts, not only actual costs are ascertained, but costs are also determined in advance of production.

Limitations of Financial Accounting

Financial accounting is so limited and inadequate in regard to the inf ormation which it can provide to management that businessmen have

been eager to adopt supplementary accounting methods like cost accounting. The following **limitations** of financial accounting have led to the emergence of cost accounting :

1. Financial accounting provides information about the business as a whole. It does not give data regarding costs department-wise, process-wise or product-wise.

2. Financial accounting is historical as it gives only actual cost data at the end of the accounting period. There is no system of computing the pre-determined costs. Thus, cost are not available for price quotations.

3. It does not provide for proper control of materials, labour and overheads.

4. In financial accounting there are no norms and standards to appraise the efficiency in the use of material, labour and overhead costs.

5. In financial accounting, expenses are not classified into direct and indirect, fixed and variable and controllable and uncontrollable.

6. Financial accounting does not fully analyse the losses due to idle plant capacity, inefficient labour, sub-standard materials, idle time etc.

7. Financial accounting fails to supply useful data to management for taking various decisions like replacement of labour by machines, introduction of new products, selection of the most profitable product mix, etc.

8. Financial accounting also fails to give adequate information for reports to outside agencies, like banks, credit agencies, trade associations, etc.

CONCEPT OF 'COST'

Cost is "the amount of expenditure (actual or notional) incurred on or attributable to a given thing." I.C.M.A. London. Cost has also been defined as "the value of economic resources used." It can be mathematically stated as :

$$\text{Cost} = \text{Usage} \times \text{Price}$$

When the term 'Cost' is used specifically, it should be qualified with reference to the object costed by such descriptions as direct cost, fixed cost, prime cost, marginal cost, etc.

COST UNIT

It is defined as "the unit of quantity of product, service or time in relation to which cost may be ascertained or expressed." Cost units are the 'things' that the enterprise is set up to provide. For example, in a sugar mill the cost per tonne of sugar may be ascertained, in a cable factory, the cost of cable per metre may be ascertained, in paper mill the cost per ream may be ascertained, and so on. The cost units may be

(i) *Units of production.* Tonnes of materials, pairs of shoes, gallons of liquids, jobs, contracts, etc.

(ii) *Units of service.* Cinema seats, passenger miles, tonne-kilometres, kilowatt hours, consulting hours, etc.

A few more examples of cost units are given below :

<i>Industry</i>	<i>Normal Cost Unit</i>
Steel	Tonne
Cement	Tonne
Timber	Cubic foot
Cables	Metre
Power	Kilowatt hour
Mines	Tonne
Automobile	Number
Brick manufacturing	1000 bricks
Transport	Passenger-kilometre or tonne-kilometre
Chemicals	Tonne, kilogram, litre or gallon

COST CENTRE

It is defined as "a location, person, or item of equipment (or group of these) for which costs may be ascertained and used for the purpose of cost control" I.C.M.A. Thus, a cost centre refers to individual parts of the business to which costs can be charged. It may be a location (a department, sales area, etc.), an item of equipment (a delivery van, lathe machine, etc.) or a person (a machine operator, salesman, etc.) A cost centre is charged with all the costs that relate to it, *e.g.* if cost centre is a machine it will be charged with the costs of depreciation, maintenance, power, light, heat and its share of rent, rates etc. The purpose of ascertaining the cost of a cost centre is cost control. The manager in charge of a cost centre is held responsible for the control of costs of that centre.

The principle of costing by cost centres may be applied to almost any form of industry. The number of cost centres and the size of each vary from one undertaking to another. It is dependent upon the expenditure involved and the requirements of the management for the purpose of cost control. A large number of cost centres tend to be expensive but having too few cost centres defeat the very purpose of control.

The cost units and cost centres should be those most natural to the business and which are readily understood and accepted by all concerned.

OBJECTS OF COSTING

The main *objects* of costing may now may be summarised :

1. *Ascertainment of costs.* The first object of costing is to arrive at the cost of production of every unit, job, process or department, by close analysis of all expenditure.
2. *Control of costs.* Costing systems are installed in order to control the costs. This may be achieved with the help of certain techniques like standard costing and budgetary control.

3. *Guide to price fixing.* Prices may have to be quoted in advance of production. Costing helps to serve as a guide to price fixing. It also provides information to decide the extent to which prices can be reduced to meet the challenge arising out of competition.

4. *Guide to business policy.* Costing assists management in conducting its business with utmost efficiency. Cost data provides guidelines for various policy decision like (a) introduction or discontinuance of a product, (b) utilisation of idle plant capacity, (c) make or buy, (d) selling goods in foreign market below total cost, etc.

ADVANTAGES OF COSTING

Costing has manifold advantages, a summary of which is given below :

1. A costing system reveals profitable and unprofitable activities so that steps may be taken to reduce or eliminate wastages and inefficiencies occurring in any form such as idle time, spoilage of materials, etc.

2. Costing helps to maintain a systematic record of analysed and classified costs so that cost information and data are available as and when required.

3. Costing helps to locate the exact cause of increase or decrease in the profit or loss of business. It can be known whether the increase in profits is because of the lower material prices or efficiency of management.

4. Costing provides such information as enables the management to formulate production and pricing policies and preparing estimates of contracts and jobs.

5. It helps in the introduction of a cost reduction programme and finding out new and improved methods to reduce costs.

6. Costing helps in controlling costs with the help of standard costing and budgetary control techniques.

7. Perpetual inventory system, which is an integral part of costing system helps the management in the preparation of interim Profit & Loss A/c and Balance Sheet.

8. A cost system produces ready figures for use by government, trade unions, wage tribunals etc. for application to problems like price fixing, price control, wage level fixation, settlement of labour disputes etc.

9. Suitably analysed cost information helps management in taking vital business decisions, such as (a) whether to sell below total cost, (b) whether to make or buy a particular component part, (c) increase or decrease in the proportion of sales of various products, (d) purchase of a new plant or continue with the old plant.

10. Costing provides a reliable check on the accuracy of financial accounts with the help of reconciliation of the two at the end of the year.

11. Costing is also of immense benefit to working class. Workers are benefitted by the introduction of incentive plans, increased bonus etc.

12. An efficient costing system is bound to lower the cost of production, the benefit of which is also passed on to the public at large in the form of lower prices of products or services.

INSTALLATION OF A COSTING SYSTEM

There cannot be a readymade costing system suitable for every undertaking. In order to meet the special needs of a business, a costing system has to be specially designed to give the blend of efficiency and economy. The installation of a costing system requires a thorough study and understanding of all the aspects involved, as otherwise the system may be a misfit and the enterprise will not be able to derive full advantage from it.

To start with, it is important to weigh the cost of the system against its value. The benefits from such a system must exceed the amount spent on it. The management must feel the need of the costing system, and should be able to make full use of the information available from the system in the operation of business. In simple words the system should be justified on the basis of its value to management.

The construction of a costing system requires the following *steps* to be taken :

1. Technical aspects of the business should be studied. It involves the study of the nature, methods and stages of production the number of varieties and quantity of each product.
2. Organisation structure of the business should be studied.
3. The size and layout of the factory should be studied.
4. Methods of wage payment should be studied.
5. The cost information desired and required by all levels of management should be considered.
6. The methods of purchase, receipts, storage and issue of materials should be studied.
7. Forms and records of original entry should be so designed as to involve minimum clerical labour and expenditure.
8. The system should be effective in cost control and cost reduction.
9. Costing system should be simple and easy to operate. Unnecessary details should be avoided.
10. The installation and operation of the costing system should be economical.

A satisfactory system results from a meeting of minds between the cost accountant and the management.

METHODS OF COSTING

The methods or types of costing refers to the techniques and processes employed in the ascertainment of costs. There are different methods of costing for different industries. The method of costing to be used in a particular concern depends upon the type of manufacturing and nature of industry. Basically, there are two methods of costing.

1. Job costing
2. Process costing

All other methods are variations of either job costing or process costing. The various methods of costing are given below :

1. Job Costing (or Job-order costing)

In this method costs are collected and accumulated for each job or work order separately. This is because in each job work is done according to customer's specifications. Each job has a separate identity and makes a cost unit. The industries where this method of costing is used are :

- (i) Repair shops
 - (ii) Printing press
 - (iii) Painting and decorating
 - (iv) Production of made to order articles, etc.
- (For details, see chapter 8 on Job and Contract costing)

2. Contract Costing

This method is based on the principles of job costing. If a job is big, it is known as a contract. Contract is a big job and job is a small contract. Each contract is taken as a separate cost unit for the purpose of cost ascertainment. Contract costing is most suited to :

- (i) Construction work
 - (ii) Ship building
 - (iii) Architects
 - (iv) Constructional engineers, etc.
- (For details, refer to chapter 8 on Job and Contract Costing)

3. Batch Costing

Like contract costing, it is also a variation of job costing. In this method, orders for identical products are arranged in convenient groups or batches. Each batch is treated as a cost unit and costs are accumulated for each batch separately. It is used in the production of :

- (i) Ready-made garments
- (ii) Toys
- (iii) Shoes
- (iv) Bicycle parts
- (v) Biscuits and confectionary.

4. Process Costing

In this method costs are separately collected and accumulated for each process or department. In order to arrive at the cost per unit, the total cost of the process or department is divided by the quantity of production. This method is used in mass production industries manufacturing standardised products in continuous process of manufacturing. In such industries finished product of one process becomes raw material for the next process. Examples of such industries are

- (i) Textile mills.
- (ii) Chemical works.

- (iii) Sugar mills.
- (iv) Paper mills.
- (v) Soap manufacturing.

(For details, see chapter 9 on Process Costing)

5. Operation Costing

This is a refinement and more detailed application of process costing. A process may consist of a number operations and operation costing involves costing by every operation instead of a process.

6. Single Output or Unit Costing

This method is used when production is uniform and consists of only a single product or two or three types of similar products or different grades of the same product. This method is applied in the following types of industries :

- (i) Mines
- (ii) Oil drilling
- (iii) Steel works
- (iv) Brick works.

(For details see chapter 6 on Cost Sheet)

7. Operating Costing

Operating costs refers to the cost of providing a service. So operating costing method of cost ascertainment is applicable to undertakings that render services instead of manufacturing tangible products. Such undertakings are : transport companies (road transport, railways, airways, shipping companies) electricity companies, cinemas, schools, hospitals, gas and steam generating concerns etc. As the activities of such undertakings are of diverse nature, the cost system used is obviously different from that of manufacturing concerns. The main difference arise in

(a) the adoption of a suitable cost unit which is related to the service rendered, and

(b) the manner of collection and allocation of costs to costs units.

A few examples of cost units in different undertakings are given below.

<i>Undertaking</i>	<i>Cost unit</i>
(i) Transport company	Passenger-kilometer or Tonne-kilometre
(ii) School or College	a student
(iii) Cinemas	a seat per show
(iv) Hospitals	a bed per day
(v) Water Supply Co.	a gallon
(vi) Electricity Co.	kilowatt-hours

8. Multiple or Composite Costing

It is an application of more than one method of costing in respect of the same product. This method is used in industries in which a

number of components are separately manufactured and assembled to produce a single unit of product. For example, manufacture of different types of components may require different production methods and hence different methods of costing may have to be applied. Assembly of these components into one finished unit may require still another method of costing. Multiple costing is applicable to manufacturing and assembly concerns like :

- (i) Television, radio manufacturing
- (ii) Scooter and other motor vehicles
- (iii) Refrigerator manufacture
- (iv) Electric motors
- (v) Locomotive works etc.

EXAMINATION QUESTIONS

1. What is costing ? What are its objects ? State its merits.
(B. Com. (Pass) Delhi 1976)
2. (a) What is cost accounting ? Differentiate between cost accounting and financial accounting.
(b) What are the advantages of installing costing system in an organisation ?
(B. Com. (Pass) Delhi 1980)
3. "Money spent on installing a costing system is not an expense but an investment" Give your views.
(B. Com. Rajasthan)
4. "A good costing system is an invaluable aid to the management." Enumerate the chief points in support of this statement.
(B. Com. Poona)
5. Explain the terms 'costing', 'cost accounting' and 'cost accountancy'. What are the functions of cost accounting ?
(B. Com. Andhra)
6. The directors of a manufacturing company are considering a proposal for the installation of a costing system. With a view to assist them in taking a decision, you are required to prepare a statement showing the advantages and objects of a costing system.
(B. Com. Delhi)
7. "A cost keeping system", Says a writer, "that simply records cost for the purpose of fixing selling price accomplishes only a small part of its mission." What other functions does costing perform ?
(B. Com. Punjab)
8. Describe briefly the various methods of costing and state the particular industries to which they are applicable.
(B. Com. Agra, Meerut, Andhra)
9. "Costing systems are classified according to the nature of operations" Set out the classification with a brief description of the operations covered by each heading.
(B. Com. Delhi)
10. Which method of costing would you adopt for the following and Why ?
 - (a) Hosiery Mill
 - (b) Paper Mill
 - (c) Oil Refining
 - (d) Furniture manufacture
 - (e) Road Transport Company.
(B. Com. Andhra 1977)
11. Describe briefly the various methods of costing. State giving reasons which method of costing would you recommend for use in the following
 - (i) Chemical works
 - (ii) Road Transport Company