

TECHNIQUES AND METHODS OF COSTING

- BY

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TECHNIQUES/TYPES OF COSTING

- **HISTORICAL COSTING** - Historical costing is a method of accounting that measures the value of an asset based on its original cost when purchased or acquired by the organization.
- **STANDARD COSTING** - Standard costing is a costing approach that denotes standard costs for inventory and the cost of goods sold (COGS.) The costs associated with standard costing are based on the production of a good under typical operating conditions. Companies can then assess whether the standard cost and actual cost are comparable or if there are any discrepancies. Determining the difference between standard and actual costs is known as variance analysis.

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- **MARGINAL COSTING** - Marginal costing is a type of cost accounting used to assess the impact of variable costs on the total volume of output or production. This costing approach adds an additional unit to production to allow management to determine the impact of different levels of volume and costs on the company's overall operating profit.
 - **ABSORPTION/FULL COSTING** - Absorption costing, sometimes referred to as full costing, is used by a company to determine all costs that go into the manufacturing of a specific product. This costing method involves allotting all variable and fixed costs to cost units and the total overhead of the company is absorbed based on the organization's activity level.

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- **DIRECT COSTING** – The practice of charging all direct costs to operations, processes of products, leaving all indirect costs to be written off against profits in the period in which they arise.
- **UNIFORM COSTING** – A technique where standardized principles and methods of cost accounting are employed by a number of different companies and firms. This system thus facilitates inter-firm comparisons, establishment of realistic pricing policies etc.

METHODS OF COSTING

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graph TD; A[METHODS OF COSTING] --> B[Specific order costing method (SOCM)]; A --> C[Continuous operation costing method (COCM)];
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Specific order
costing method
(SOCM)

Continuous
operation costing
method (COCM)

METHODS OF COSTING

Specific order costing method (SOCM)

- 1. JOB COSTING**
- 2. CONTRACT COSTING**
- 3. BATCH COSTING**
- 4. TARGET COSTING**

Continuous operation costing method (COCM)

- 1. PROCESS COSTING**
- 2. SINGLE / OUTPUT COSTING**
- 3. OPERATING COSTING**
- 4. DEPARTMENTAL COSTING**