



Unit 17 — Cost Accounting

Reading: Cost accounting

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Management accounting is based heavily on cost accounting, but unless you have worked in this area you are unlikely to know exactly what it is. So, what is cost accounting?

At its simplest cost accounting is a method of evaluating the overall costs, both actual and notional, which are attributable to conducting business. This could be a per unit cost on goods produced, or a per hour cost for services provided. Generally based on standard accounting practices, it is one of the tools that managers use to determine what type of and how much expense is involved in maintaining the current business model.

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Discussion Questions

How could cost accounting be used to benefit a company?

What are the main differences between cost and financial accounting?

What problems can you think of with using cost accounting as a basis for budgets?