**A Study on Cost Analysis & Control**

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**Abstract:**

The total cost of producing a specific level of output is the cost of all the factors of input used. Conventionally economist use models with two inputs capital, K. and labor, L. Capital is assumed to be the fixed input meaning that the amount of capital used does not vary with the level of production. The rental price per unit of capital is denoted r. Thus the total fixed costs equal Kr. Labor is the variable input meaning that the amount of labor used varies with the level of output. In fact in the short run the only way to vary output is by varying the amount of the variable input. Labor is denoted L and the per unit cost or wage rate is denoted w so the total variable costs is Lw. Consequently total cost is fixed costs (FC) plus variable cost (VC)Valuation in terms of money of (1) effort, (2)material, (3)resources, (4) time and utilities consumed, (5)risks incurred, and (6)opportunity forgone in production and delivery of a good or service. All expenses are costs, but not all costs (such as those incurred in acquisition of anincome-generatingasset) are expenses.

**Keywords:** cost of producing, fixed input, good or service.

**INTRODUCTION:**

**INTRODUCION TO COST & COST CONTROL:**

The management is efficient if it is able to accomplish the objective of the enterprise. It is effective when it accomplishes the objectives with minimum effort and cost in order to attain long-range efficiency and effectiveness management must chat out its course in advance. A systematic approach to facilitate effective management performance is profit planning and control or costing. Costing is therefore an integral part of management in a way, a cost control system has been described as a historical combination of a “goal setting machine for increasing an enterprises profits and a goal achieving machine for facilitating organizational co ordination and planning while achieving the costed targets”.

**MEANING OF COST:**

It is a financial and quantitative statement, prepared and approved prior to a defined period of time of policy to be pursued during that period for purpose of attaining a given objective. It may include income, expenditure and employment capital.

 In other words is a pre-determined detailed plan of action developed and distributed as a guide to current operations and as a partial basis for the subsequent evaluation of performance.

**MEANING OF COSTING:**

The process of planning all flows of financial resources into with in and from an entity during some specified future period. It includes providing for the detailed allocation of expected available future resources to projects, functions, responsibilities and time periods.

From above definition it is clear that costing is the actual act of preparing the cost. It is the process of evolving the final statement. Cost is the end product of costing.

**MEANING OF COSTORY CONTROL:**

It is the process of establishing of departmental costs relating the responsibilities of executives to the requirements of a policy, and the continuous comparison of actual with costed results, either to secure by individual action the objectives of the policy a firm basis for its revision.

First of all costs are prepared and then actual results are the comparison of costed and actual figures will enable the management to find out discrepancies and take remedial measures at a proper time. The cost control is continuous process, which helps in planning and co ordination. It provides a method of control too. A cost is a means and cost control is the end result.

 In the word of J.A Solt “cost control is the system of management control and accounting in which all operations are forecast and so as possible planned ahead and actual results compared with the forecast and the planned ones.

**REVIEW OF LITERATURE:**

**ARTICLE: 1**

**Tile: COST MANAGEMENT TECHNIQUES**

**Author:** **Dr. Shree Bhagwat, Ritesh Omre**

**Source:** **STRATEGIC COST MANAGEMENT AND PERFORMANCE EVALUATION**

**Abstract**

Most of the enterprises want to maximize the profit, which is possible by decreasing the production cost. For this purpose, management uses two efficient tools, i.e. cost control and cost reduction. Cost Control is a technique which makes available the necessary information to the management that actual costs are aligned with the budgeted costs or not. Cost Reduction is a technique which we use to save the unit cost of the product without compromising its quality. The main objective of the organization is to earn maximum profit and to achieve this objective, firm needs either to increase the revenue or reduce the cost of production. Different concepts are used in cost accounting which deals with minimizing the cost. Let us discuss these concepts in detail to have better understanding and how these concepts enable the management to achieve the main objective of earning maximum profit.

**ARTICLE: 2**

**Tile: Impact of Cost Control Techniques on Cost Overruns in Construction Projects**

**Source: ENGINEER - Vol. L, No. 04, pp. [53-60], 2017**

**Author:** **S.N. Malkanthi,**

Construction industry plays an important role in the development of a country. The success of any project will depends on how that project can achieve its objectives in terms of cost, quality and duration. In order to achieve success in a project, it would be essential to plan that project well and have a proper monitoring mechanism in place. Cost overrun is a major problem encountered by many contractors as it makes the profit of a project less secure for the contractor in addition to causing many other problems to all the parties involved. Good cost control techniques would be essential to solve those problems. Thus, it is important to identify cost controlling techniques and their impact on cost overruns. This study was done using a questionnaire survey conducted among C1-C5 grade contractors. The data collected were analysed by converting them into quantitative values using percentage analysis and weighted score analysis. The results indicate the cost controlling practices that are in frequent use and their importance in minimizing the cost overruns in order to reduce over budget and overheads while securing anticipated profits. Finally, it is suggested that CIDA (ICTAD) should encourage contractors to use cost controlling techniques, by conducting training programs, awareness programs, etc. It is also suggested to make the use of some of ICTAD documents mandatory.

**ARTICLE: 3**

**Tile: Cost Control Techniques for Construction Project**

**Author:** **Miss. Punam Bhimrao Kokate**

**Source: International Research Journal of Engineering and Technology (IRJET).**

**Abstract**

Today due the increasing the population space required for living to human being is decreases so need to build-up high rise structure, budget required for construction of high rise structure in too much. For high rise structure first of all to calculate the cost required from drawings. The cost required for construction is more that time need to reduces the cost by using various methods and techniques. In this research the cost of construction of residential building is reduced by using alternative material as well as to reducing the reactive accident which is reduces the cost of project work. At the time of construction of building think on the important issues like same project work done in past mean that to avoid the proactive accident done on same project. In this project the cost is controlled by reducing the wastage at the time of construction such as material waste (bricks, concrete and wood) , insulation nails, electrical wiring, etc.

**RESEARCH GAP:**

In this project the cost is controlled by reducing the wastage at the time of construction such as material waste (bricks, concrete and wood) , insulation nails, electrical wiring, etc.

**OBJECTIVES:**

1. To provide the material frame work of cost and Cost Control Analysis
2. To describe the profit of the organization as a backdrop for undertaking a study of Cost Benefit Analysis.
3. To analyze the cost system in practice in Hero Moto Corp Ltd. (Phoenix Motors Pvt. Ltd) with particular reference to their objectives and phases of organizational and re-appropriation.
4. In addition to the analysis of the conventional cost system in practice in Hero Moto Corp Ltd. (Phoenix Motors Pvt. Ltd) .

**RESEARCH METHODOLOGY:**

**Need For The Study**

The importance of cost reduction programs within a company cannot be overstated. Companies that are losing money, need to increase profits, or must become more competitive need to cut expenses in order to succeed. Knowing how to implement effective cost reduction strategies can be the determining factor in the survival of a business.

When a company must generate more cash as fast as possible, management will have to decide which costs can be most effectively reduced. If the reduction is needed quickly, expenses cut first will normally be those that are not fixed or directly tied to production.

**Scope Of The Study:**

Since it will not be possible to conduct a micro level study of all type industries in Telangana, the study is restricted to Hero Moto Corp Ltd. (Phoenix Motors Pvt. Ltd). An alternative approach to the national perspective is ‘financial analysis’ which considers the case when costs and benefits are limited to impacts on an individual agency or department. An example of this is a new accounting package for a department or a lease versus buy decision for real estate. Cost Benefit Analysis also needs to be distinguished from the fiscal costings which typically are included in a Cabinet or other approval paper.

**Methodology**

**Sources of data collection**:

**TYPES OF DATA**

**PRIMARY DATA:**

The primary data is collected by interacting with the finance manager and other concerned executives at the administrative office of the company

**SECONDARY DATA:**

All the secondary data used for the study has been extracted from the annual reports, manuals and other published material of the company.

**SOURCES OF DATA:**

The data of Hero Moto Corp Ltd have been collected mainly from secondary sources viz.,

* Form the concerned officers of the Hero Moto Corp Ltd
* Hero Moto Corp Ltd journals.
* Accounting books, records.
* Key books of concerned title.

**DATA ANALYSIS & INTERPRETATION:**

 **HERO MOTOCORP LTD.**

 **TABLE-I(Rs in corers)**

|  |  |  |  |
| --- | --- | --- | --- |
| SL.NO | PARTICULAR | Costed estimated for the 2022-23 | Actual for the year 2022-23 |
| 1 | Sales |  |  |  |  |
|  | Fixed cost recovery | 724 | 72.4 | 618 | 61.8 |
|  | Variable cost recovery | 840 | 84.0 | 740 | 74.0 |
|  | Fuel price adjustment recovery | 820 | 82.0 | 863 | 86.3 |
|  | Own consumption | 162 | 16.2 | 178 | 17.8 |
|  | Total of 1 | 2516 | 251.6 | 2369 | 236.9 |
| 2 | Average intensives | 132 | 13.2 | 98 | 9.8 |
| 3 | Other income | 56 | 5.6 | 49 | 4.9 |
|  | GRAND TOTAL (1+2+3) | 2674 | 267.4 | 2516 | 251.6 |

**Interpretation:**

During the year 2022-23 the sales, fixed costs, variable cost , own Consumption was decreased. When the estimated costed so sales consumption is 267% respectively.

During the year 2022-23 the average intensive are decreased 9.8% the other Income also decreased 7% respectively.

Finally with regard to the result in revenue cost of HERO MOTO CORP LTD totally decreased 251.6% in the year 2022-23 respectively.

**HERO MOTOCORP LTD.**

 TABLE-II(Rs in corers)

|  |  |  |  |
| --- | --- | --- | --- |
| SL.NO | PARTICULAR | Costed estimated for the 2021-22 | Actual for the year 2021-22 |
| 1 | Sales |  |  |  |  |
|  | Fixed cost recovery | 702 | 70.2 | 598 | 59.8 |
|  | Variable cost recovery | 802 | 80.2 | 680 | 68.0 |
|  | adjustment recovery | 790 | 79.0 | 852 | 85.2 |
|  | Own consumption | 151 | 15.1 | 152 | 15.2 |
|  | Total of 1 | 2398 | 239.8 | 2168 | 216.8 |
| 2 | Average intensives | 96 | 9.6 | 84 | 8.4 |
| 3 | Other income | 51 | 5.1 | 40 | 4.0 |
|  | GRAND TOTAL (1+2+3) | 2545 | 254.5 | 2292 | 229.2 |

**Interpretation:**

During the year 2021-22 the sales, fixed costs, variable cost, own Consumption was decreased. When the estimated costed so sales consumption is 254.5% respectively.

During the year 2021-22 the average intensive are decreased 16% the other Income also decreased14% respectively. Finally with regard to the result in revenue cost of HERO MOTO CORP LTD totally decreased 229.2% in the year 2021-22 respectively.

**HERO MOTOCORP LTD**

 TABLE-III(Rs in corers)

|  |  |  |  |
| --- | --- | --- | --- |
| SL.NO | PARTICULAR | Costed estimated for the 2020-21 | Actual for the year 2020-21 |
| 1 | Sales |  | % |  | % |
|  | Fixed cost recovery | 657 | 65.7 | 565 | 56.5 |
|  | Variable cost recovery | 762 | 76.2 | 563 | 56.3 |
|  | adjustment recovery | 750 | 75.0 | 798 | 79.8 |
|  | Own consumption | 151 | 15.1 | 132 | 13.2 |
|  | Total of 1 | 2290 | 229.0 | 2028 | 202.8 |
| 2 | Average intensives | 89 | 8.9 | 84 | 8.4 |
| 3 | Other income | 51 | 5.1 | 40 | 4.0 |
|  | GRAND TOTAL (1+2+3) | 2430 | 243.0 | 2152 | 215.2 |

**Interpretation:**

During the year 2020-21 the sales, fixed costs, variable cost, own Consumption was decreased. When the estimated costed so sales consumption is 243.0% respectively.

During the year 2020-21 the average intensive are decreased 5% the other Income also decreased14% respectively. Finally with regard to the result in revenue cost of HERO MOTO CORP LTD totally decreased 215.2% in the year 2020-21 respectively.

**HERO MOTOCORP LTD**

 TABLE-IV(Rs in corers)

|  |  |  |  |
| --- | --- | --- | --- |
| SL.NO | PARTICULAR | Costed estimated for the 2019-20 | Actual for the year 2019-20 |
| 1 | Sales |  | % |  | % |
|  | Fixed cost recovery | 680 | 68.0 | 569 | 56.9 |
|  | Variable cost recovery | 789 | 78.9 | 623 | 62.3 |
|  | adjustment recovery | 695 | 69.5 | 815 | 81.2 |
|  | Own consumption | 151 | 15.1 | 152 | 15.2 |
|  | Total of 1 | 2285 | 228.5 | 2156 | 215.6 |
| 2 | Average intensives | 96 | 9.6 | 84 | 8.4 |
| 3 | Other income | 51 | 5.1 | 40 | 4.0 |
|  | GRAND TOTAL (1+2+3) | 2432 | 243.2 | 2250 | 225.0 |

INTERPRETATION:

During the year 2019-20 the sales, fixed costs, variable cost, own Consumption was decreased. When the estimated costed so sales consumption is 243.2% respectively.

During the year 2019-20 the average intensive are decreased 16% the other Income also decreased14% respectively.

Finally with regard to the result in revenue cost of HERO MOTOCORP LTD totally decreased 225.0% in the year 2019-20 respectively.

**HERO MOTOCORP LTD**

Operational Expenditure Cost for the Year 2022-23

TABLE – I

|  |  |  |  |
| --- | --- | --- | --- |
| SL.NO | PARTICULAR | COSTED ESTIMATED FOR THE 2022-23 | ACTUAL FOR THE YEAR 2022-23 |
|  |  | AMOUNT  | RS/MT | AMOUNT |  S/MT  |
| 1 | VARIABLE COST | 897 | 89.7 | 856 | 85.6 |
| 2 | OPERATIVE MAINTENANCE COST | 254 | 25.4 | 215 | 21.5 |
| 3 | FINANCE CHARGES |  |  |  |  |
|  | Deprecation | 42 | 4.2 | 15 | 1.5 |
|  | Interest on fixed capital | 18 | 1.8 | 20 | 2.0 |
|  | Total of – 3 | 60 | 6.0 | 35 | 3.5 |
|  | GRAND TOTAL (1+2+3) | 1514 | 151.1 | 1406 | 140.6 |

**Interpretation:**

Observed from the above table that the operational expenditure cost of Hero Moto Corp Ltd in the year 2022-23. Maintenance, employee cost, stationary & general expenses, rebate and share of other expenses is all are fluctuating with the expenses of the year 2022-23. However the total operating maintenance costs are 25.4% decreasing respectively.

**HERO MOTOCORP LTD:**

Operational Expenditure Cost for the Year 2021-22

|  |  |  |  |
| --- | --- | --- | --- |
| **SL.NO** | **PARTICULAR** | **COSTED ESTIMATED FOR THE 2021-22** | **ACTUAL FOR THE YEAR 2021-22** |
|  |  | AMOUNT  | RS/MT | AMOUNT |  S/MT  |
| 1 | VARIABLE COST | 841 | 84.1 | 822 | 82.2 |
| 2 | OPERATIVE MAINTENANCE COST | 247 | 24.7 | 201 | 20.1 |
| 3 | FINANCE CHARGES |  |  |  |  |
|  | Deprecation | 39 | 3.9 | 15 | 1.2 |
|  | Interest on fixed capital | 15 | 1.5 | 18 | 1.8 |
|  | Total of – 3 | 54 | 5.4 | 30 | 3.0 |
|  | GRAND TOTAL (1+2+3) | 1472 | 147.2 | 1353 | 135.3 |

**Interpretation:**

Observed from the above table that the operational expenditure cost of Hero Moto Corp Ltd in the year 2021-22. Maintenance, employee cost, stationary & general expenses, rebate and share of other expenses is all are fluctuating with the expenses of the year 2021-22. However the total operating maintenance costs are 24.7% decreasing respectively.

In finance charges depreciation and interest on fixed capital, has been included

The total finance charges recording decreasing of 2.4% in the year 2021-22 respectively.

**HERO MOTOCORP LTD:**

Operational Expenditure Cost for the Year 2020-21

|  |  |  |  |
| --- | --- | --- | --- |
| **SL.NO** | **PARTICULAR** | **COSTED ESTIMATED FOR THE 2020-21** | **ACTUAL FOR THE YEAR 2020-21** |
|  |  | AMOUNT  | RS/MT | AMOUNT |  S/MT  |
| 1 | VARIABLE COST | 814 | 81.1 | 798 | 79.8 |
| 2 | OPERATIVE MAINTENANCE COST | 217 | 21.4 | 157 | 15.7 |
| 3 | FINANCE CHARGES |  |  |  |  |
|  | Deprecation | 36 | 3.6 | 14 | 1.1 |
|  | Interest on fixed capital | 15 | 1.5 | 18 | 1.8 |
|  | Total of – 3 | 51 | 5.1 | 29 | 2.9 |
|  | GRAND TOTAL (1+2+3) | 1376 | 137.6 | 984 | 98.4 |

**Interpretation:**

Observed from the above table that the operational expenditure cost of Hero Moto Corp Ltd in the year 2020-21. Maintenance, employee cost, stationary & general expenses, rebate and share of other expenses is all are fluctuating with the expenses of the year 2020-21.However the total operating maintenance costs are 21.4% decreasing respectively.

In finance charges depreciation and interest on fixed capital, has been included

The total finance charges recording decreasing of 2.2% in the year 2020-21 respectively.

The overall costs results of Hero Moto Corp Ltd are earning more profits.

**HERO MOTOCORP LTD:**

Operational Expenditure Cost for the Year 2019-20

 Rs in corers

|  |  |  |  |
| --- | --- | --- | --- |
| **SL.NO** | **PARTICULAR** | **COSTED ESTIMATED FOR THE 2019-20** | **ACTUAL FOR THE YEAR 2019-20** |
|  |  | AMOUNT  | RS/MT | AMOUNT |  S/MT  |
| 1 | VARIABLE COST | 754 | 75.4 | 658 | 65.8 |
| 2 | OPERATIVE MAINTENANCE COST | 198 | 19.8 | 165 | 16.5 |
| 3 | FINANCE CHARGES |  |  |  |  |
|  | Deprecation | 29 | 2.9 | 9 | 0.9 |
|  | Interest on fixed capital | 15 | 1.5 | 18 | 1.8 |
|  | Total of – 3 | 44 | 4.4 | 27 | 2.7 |
|  | GRAND TOTAL (1+2+3) | 996 | 99.6 | 820 | 82.0 |

**Interpretation:**

Observed from the above table that the operational expenditure cost of Hero Moto Corp Ltd in the year 2019-20. Maintenance, employee cost, stationary & general expenses, rebate and share of other expenses is all are fluctuating with the expenses of the year 2019-20. However the total operating maintenance costs are 19.8% decreasing respectively.

In finance charges depreciation and interest on fixed capital, has been included

The total finance charges recording decreasing of 5.3% in the year 2019-20 respectively.

The overall costs results of Hero Moto Corp Ltd are earning more profits.

**CONCLUSION**

Planning has become the primary function of management most of the planning relates to individual and individual proposals. Costs are nothing but his expressions, largely in financial terms, cost control has, therefore become and essential tool of management for controlling and maximizing profits.

* The company objectives of the organization and how they can be achieved through cost control
* Time tables for all stages of costing follow
* Reports, statements, forms and other record to be maintained
* Continuous comparison of actual performance with estimated performance is necessary.

**REFERENCES:**

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