

10)	Maximises future efficiency of operations with the help of cost data, used to exercise control and check wastage.	Uses accounting ratios to compute the major trends which have already taken place in the previous, accounting period.
11)	Accounts also for physical units such as labour hour, machine hour, etc.	Follows only monetary units for recording transactions in the books of account.

Common Goal: Despite the differences of purpose and approach between Cost Accounting and Financial Accounting, both the systems have a common goal of continuously assisting the organisation they serve. In fact, the two are complementary to each other. In a developing enterprise, therefore, both the systems operate to the advantage of the organisation and contribute to the smooth running of the business.

1.6 ADVANTAGES OF COST ACCOUNTING

Having learnt the need for costing, its meaning and objects, and the difference between Cost Accounting and Financial Accounting, it should not be difficult for you to list the advantages of Cost Accounting and appreciate it as an invaluable aid to management.

An effective and organised system of costing helps:

- 1) Continuous flow of information regarding production, cost, materials, labour, stores, plant capacity, etc., which assist output planning.
- 2) Identification of unproductive activities, losses or wastage of resources, obsolete machinery and points of inefficiency which demand a quick remedial action.
- 3) Compilation of correct and reliable cost data.
- 4) Preparation of budgets and business forecasts.
- 5) Measurement of efficiency of operations through establishment of standards and analysis of variances.
- 6) Fixation of selling prices.
- 7) Cost comparisons between different periods, products, departments or firms.
- 8) Estimates of costs and revenue in advance.
- 9) Inventory control and periodical stock-taking.
- 10) Identification of idle capacity and the cost of working below the installed capacity.
- 11) Ascertainment of cost and profit more frequently and examination of their causes in detail.
- 12) Decisions on the basis of facts and figures and formulation of suitable policies for various matters such as:
 - i) level of output
 - ii) make or buy decision
 - iii) replacement or modernisation of old equipment
 - iv) shut down or continue during depression
 - v) introduction of new products or elimination of old ones