

## Types of Costing Systems

Noor-ul-huda khan, Zunaira , Shamsa & Raheel  
The Islamia University, Bahawalpur, Pakistan  
Email: [noorulhudakhan203@gmail.com](mailto:noorulhudakhan203@gmail.com)

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### Abstract:

Coordination of the supply chain has become purposefully important as new forms of organization, such as near originalities, global developed and logistics networks, and other company-to-company groupings, evolve. The Japanese are often applauded for the way they use material sharing to increase supply chain attractiveness. It is manipulative the cost and concert of happenings and cost objects. An exact information about the true cost of products, services, processes, deeds, distribution channels, customer segments, pacts and projects. The result is that some indirect costs are barred from the cost-pools linked with an applied set of cost drivers. Outmoded costing systems may not be suitable for a cybernetic inventiveness or joined supply chain running. Since most activities that add value, manufacturing and/or service activities, are subcontracted to suppliers or followers. Major customers tend to develop compound and legalistic contacts with their suppliers and use the hazard of completing when problems arise. This requires advance of guidelines for the creation of contracts between suppliers and customers in a virtual invention environment.

**Keywords:** Costing System, Process Costing, Activity Costing, Service Costing

### Introduction:

Costing systems are workings of a wide-ranging accounting system used by a given company or organization. Their main function is to keep an absorbed eye on expenses made by the company. While the facts that is placid and created is also consistent into the overall accounting system, the costing slant allows for the data to be easily mined for reports to upper management. Difference between the costs presenting to the costing organization used and actual volumes. Actual totals are echoed in the financial announcements. Types of costing system:

1. Job order costing system
2. Process costing system
3. Activity based costing system

### 1. Job Order Costing System:

“Job order cost systems are assigned to a specific job, such as the structure of an adapted home, the making of a signal picture, or the trade of a focused machine”. (Dr, Joyce L. Wang). Raw materials could be used as direct or indirect product cost. An employee’s time may be either direct or indirect. If actual and applied manufacturing overhead are not like, a year-end modification is essential.

### 2. Process Costing System:

“Process costing is a costing system used to calculate the product cost when a company goods commonalities of identical or similar products through unremitting processes. Examples of companies whose operations suit process costing include oil refining companies and fast-food bistros.” (Dr, Joyce L. Wang,)

“Process costing is a form of operations costing which is used where standardized goods are produced. This costing method is used in trades like compounds, knits, steel, rubber, honey, shoes, gasoline etc.”

“That arrangement of point costing which spreads where company goods are cruel” (CIMA London)

### 3. Activity Based Costing System:

Activity based costing (ABC) assigns work overhead costs to products in a more logical style than the outdated tactic of simply dealing costs on the basis of appliance hours. Activity based costing first assigns costs to the activities that are the real cause of the overhead. It then part company the cost of those activities only to the products that are actually hard the goings-on.

“An approach to costing and 24-hour care of activities which involves tracing store consumption and costing final crops. Resources are assigned to goings-on, and activities to cost objects based on consumption estimates. The concluding exploit cost car owner to attach activity costs to yields.” (CIMA Official Terminology, 2005)

### Discussion:

**Unit Costing:** This method also called 'Single output costing'. This method of costing is used for foodstuffs which can be expressed in equal quantifiable units and is suitable for products which are manufactured by unceasing engineering activity. Costs are learnt for convenient units of output. Examples: Bone making, drawing, cement business, dairy, flour mills etc.

**Job Costing:** Lower than this method costs are discovered for each work order separately as each job has its own buts and scope. Examples: Canvas, Car repair, Aggrandizement, Repair of building etc.

**Contract Costing:** Under this method costing is completed for big jobs which involves heavy expenditure in addition stretches over a long period and often it is undertaken at different sites. Each contract is treated as a secluded piece for costing. This is also known as Mortal Costing. Construction of bridges, streets, buildings, etc. comes under pact costing.

**Batch Costing:** This method of costing is used where the units bent in a group are uniform in nature and design. For the tenacity of costing each batch is treated as a job or separate unit.

Trades like Bakery, Pharmaceuticals etc. generally use batch costing method.

**Operating Costing or Service Costing:** Where the cost of operating a service such as treatment home, Van, railway or leased bus etc. this process of costing is used to discover the cost of such exact service. Each exact service is treated as separate units in operating costing. In the case of an Encourage Home, a unit is solid as the cost of a bed per day and for automobiles operative cost for a kilometer is preserved as a unit.

**Process Costing:** This caring of costing is used for the products which go through different processes. For example, manufacturing cloths is a diverse process. Handful process is rotary.

**Multiple Costing:** When the output comprises many assembled parts or components such as in television, gas-powered Car or electronic tools, costs have to be established or each module as well as the put product. Such costing may involve different methods of costing for different apparatuses. Therefore this type of costing is known as composite costing or multiple costing.

**Uniform Costing:** This is not a separate method of costing. This is an organization of using the same method of figure by a figure of firms in the same industry. It is treated as a joint system of using agreed principles and standard accounting applies in the indistinguishable firms or trade. (Imsam)

### **Concluding Remarks:**

Holistic and proactive concepts, such as Lean Production, Just-In-Time, Total Quality Management, Con- current Engineering and Supply Chain Management have become chief for companies seeking lean developments with short harvest time and zero defects. In most shrubberies, the physical equipment is susceptible to failure through breakdown, fall inroutine through age and use, and to undesirability due to advances in technology.

In this paper, a probing virtual analysis of the target costing processes at six Japanese manufacturing firms was described. The objective in enterprise this analysis was to catalog factors that subject the target costing process. While the producers of target costing are virtually alike for all firms: the cost at which a new product must be manufactured in demandto make an suitable return and the purchase price of obviously attained apparatuses, the process of goal appraisal is a rich and multipart instruction that varies by firm.

By relating the intensity of opposition, the nature of the buyer, the firm's product approach, the appearances of the merchandise, and finally, the supplier-base tactic it is imaginable to explain the nature of the aim quotation process. The bull costing process is influenced by these factors because they help govern the benefits that the firm will derive from the submission of target costing and hence, the brio the firm is ready to expend on each of the three key parts of the process. Probably, if the doles fall lower a certain level, then the firm will either not contrivance a target costing system or terminate its use.

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