

Dr. Ambedkar Institute of Technology
Department of Mechanical Engineering

The documents enclosed are verified and approved.



HOD

Dept. of Mechanical Engineering

Department of Mechanical Engineering
Dr. Ambedkar Institute of Technology
Bengaluru - 560 056.

ELEMENTS OF COSTING AND ECONOMICS



Dr. S. Baskaran
Dr. C. R. Mahesha
Dr. T. N. Raju

Jayvee
International Publishers Private Limited

ELEMENTS OF COSTING AND ECONOMICS

Dr. S. Baskaran

MBA, MFC, M.Phil, Ph.D, PGDIM, PGDED
Associate Professor and Head, Department of MBA
Dr. Ambedkar Institute of Technology
Bengaluru - 56

Dr. C. R. Mahesha

M.E, Ph.D
Assistant Professor
Department of Industrial Engineering and Management
Dr. Ambedkar Institute of Technology
Bengaluru - 560056

Dr. T. N. Raju

M. E. , Ph.D (IIT-M)
Associate Professor & Head
Department of Mechanical Engineering
Dr. Ambedkar Institute of Technology
Bengaluru - 560056



Jayvee International Publications Private Limited
Bengaluru-560083

© 2021 Jayvee International Publications Private Limited

**ELEMENTS OF COSTING AND ECONOMICS - Dr. S. Baskaran, Dr. C. R. Mahesha,
Dr. T. N. Raju**

First Impression: 2021

All rights reserved. No part of this publication may be reproduced, distributed, or transmitted in any form or by any means graphic, electronic or mechanical methods including but not limited to photocopying, recording, scanning, digitizing, taping, web distribution, information network or other information storage and retrieval without the prior written permission of the publisher, except in the case of brief quotations embodied in critical reviews and certain other non-commercial uses permitted by copyright law. For permission requests, write to the director addressed "**Attention: Jayvee International Publications Private Limited, Bengaluru**" or directorjayvee@gmail.com at the address below.

Published by:

Jayvee International Publications Private Limited

33/3 1A First Cross, Basavanapura, Bannerghatta Main Road,
Bengaluru -560083.

Email: directorjayvee@gmail.com, jayveepublications@gmail.com

Website: www.jayveepublications.com

Marketing Wing: 8088055236

City Office:

No.4, First Floor, Type-III, Block I
Byrasandra Campus, NIMHANS
Bengaluru-560011
080-26570249 & 9113577873

Pages: 122

ISBN: 978-81950092-5-1

Printed by:

Jayvee International Publications Private Limited

33/3 1A First Cross, Basavanapura, Bannerghatta Main Road,
Bengaluru -560083.

Email: directorjayvee@gmail.com, jayveepublications@gmail.com

Contact: 8884811999 & 8884822999

Website: www.jayveepublications.com

PREFACE

We have immense pleasure to bring out the present book which is basically designed to cover complete syllabus of elements of costing and economics. The book will also be useful for the students appearing for competitive examinations.

The Introduction of New syllabus has created vacuum in respect of suitable books exactly in conformity to new syllabus. As such the present book has been written particularly keeping in mind the problems faced by students studying elements of costing and economics. The book will equally serve the purpose of different branches of engineering aspirants. The book is written in a very simple language understanding that it is meant for beginners.

To ensure students realize that economics is a unified discipline and not a bewildering array of seemingly unrelated topics, we develop the presentation of microeconomics and of macroeconomics around integrating themes.

The book contains five chapters. The new syllabus containing cost concepts, components of costing, Introduction to Economics, Business Economics (Micro-Economics and Macro-Economics) and financial planning.

We are thankful to Principal, **Dr. M. Meenakshi**, Dr. Ambedkar Institute of Technology and management, PVP welfare Trust for constant support and encouragement.

We had excellent experience with the publication of our contents and really appreciate the work of editors and publishing team members, **Ms. N. Jayavarshenee, Director-Publications, Mrs. K. Radhika, Assistant Manager-Jayvee International Publications**, the rapid response and excellent production. We are expressing more publications in the near future.

We would always invite critical views and suggestions for improvement of the book from both students and fellow teachers.

Best wishes for a great semester!!!

Dr. S. Baskaran
Dr. C. R. Mahesha
Dr. T. N. Raju

CONTENTS

Unit 1 - Cost Concepts			
1.1	Introduction		1
1.2	Cost		1
	1.2.1	Meaning of Cost	1
1.3	Expense		1
	1.3.1	Meaning of Expense	1
	1.3.2	Types of Expenses	2
1.4	Cost Vs. Expense		2
1.5	Loss		3
	1.5.1	Meaning of Loss	3
	1.5.1	Types of Loss	3
1.6	Classification of Cost		3
1.7	Cost Driver		6
	1.7.1	Types of Cost Driver	6
	1.7.2	Cost Driver Analysis	6
	1.7.3	Importance of Cost Driver	6
	1.7.4	Advantages	7
	1.7.5	Disadvantages	7
1.8	Cost Unit		7
	1.8.1	Characteristics of a Cost Unit	7
	1.8.2	Types of Cost Units	8
1.9	Overheads		8
	1.9.1	Types of Overheads	9
	1.9.2	Classification of Overheads	9
Unit 2 - Components of Costing			
2.1	Objectives of Costing		13
2.2	Elements of Costing		14
2.3	Cost Sheet		
	2.3.1	Functional Classification of Elements of Cost	15
	2.3.2	Cost Heads in a Cost Sheet	15
	2.3.3	Preparation of Cost Sheet/Statement	18
		2.3.3.1 Method of Preparation of Cost Sheet	18
		2.3.3.2 Specimen Format of Cost Sheet for a Manufacturing Entity	19
	2.3.4	Treatment of various items of cost in Cost Sheet/Statement	20
	2.3.5	Advantages of Cost sheet	20
	2.3.6	Illustrations	21
2.4	Job Costing		23
	2.4.1	Features of Job Costing	23
	2.4.2	Documents Used in Job Costing	23
	2.4.3	Types of Business that use Job Costing System	23