TYPES OF COSTING

For ascertaining costs, following types of costing are usually used.

- **Uniform Costing**: When a number of firms in an industry agree among themselves to follow the same system of costing in detail, adopting common terminology for various items and processes they are said to follow a system of uniform costing. In such a case, a comparison of the performance of each of the firms can be made with that of another, or with the average performance in the industry. Under such a system it is also possible to determine the cost of production of goods which is true for the industry as a whole. It is found useful when tax-relief or protection is sought from the Government.
- **Marginal Costing**: It is defined as the ascertainment of marginal cost by differentiating between fixed and variable costs. It is used to ascertain effect of changes in volume or type of output on profit.
- **Standard Costing and variance analysis**: It is the name given to the technique whereby standard costs are pre-determined and subsequently compared with the recorded actual costs. It is thus a technique of cost ascertainment and cost control. This technique may be used in conjunction with any method of costing. However, it is especially suitable where the manufacturing method involves production of standardized goods of repetitive nature.
- **Historical Costing**: It is the ascertainment of costs after they have been incurred. This type of costing has limited utility.
- **Direct Costing**: It is the practice of charging all direct costs to operations, processes or products leaving all indirect costs to be written off against profits in which they arise.
- **Absorption Costing**: It is the practice of charging all costs, both variable and fixed to operations, processes or products. This differs from marginal costing where fixed costs are excluded.

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