

# Benefits of cost accounting information

[Business](#), [Accounting](#)



Cost accounting offers benefits for manufacturing companies. A cost accounting information system offers benefits for many companies. Cost accounting is a type of accounting method concerned with the cost of goods manufactured and /or sold. Many factors are taken into consideration when cost accountants analyze business costs . The information determined by these accountants is used for inventory valuation , financial statements and decision making .

**Inventory Valuation** Cost accounting offers the benefit of having an accurate inventory valuation of all inventories on hand . This includes all raw products used to make goods , all work-in -process inventories and all finished goods ready for sale. Cost accountants take all costs into consideration and are able to determine the value of all of these inventories on hand . This information is useful for financial statements and for management of the company . Managers use this information to determine sellinggoalsand production needs .

**Maximum Efficiency** Cost accounting is beneficial to determine the maximum efficiency production amounts . Cost accountants take all costs into consideration when calculating this amount . Manufacturing costs consist of direct labor , materials and manufacturing overhead. These costs are all calculated and added up to find a per- unit cost price for manufactured items. When the cost price is calculated, these accountants begin determining a hypothesis of production rates .

Many times cost accountants determine that if production is increased slightly, overhead costs remain the same. If this is the case, increasing

production actually results in a lower per -unit cost for production , and the end result is a higher profit . Decision Making The information determined by cost accountants is used for decision making for future company needs . Short -term goals and decisions are made as well as long-term strategic decisions. The analysis of cost information is used to compare projected costs to actual costs .

This is useful for businesses when budgets are created . Often times, unforeseen costs occur with production , and they are determined in this way. Unforeseen costs are added into the future budgets at rates calculated by cost accountants . Cost accounting also helps companies establish approximate future cash flows . Short -term production goals and marketing decisions are set based on this information. Long -term production plans are also calculated.