

## Types or Techniques of Costing

1. Historical Costing:- In this system, costs are ascertained only after they are incurred and that is why it is called as historical costing system.. Such type of costing system is extremely useful for conducting post-mortem examination of costs, i.e. analysis of the costs incurred in the past. Historical costing system may not be useful from cost control point of view but it certainly indicates a trend in the behavior of costs and is useful for estimation of costs in future.

2. Absorption Costing :- In this type of costing system, costs are absorbed in the product units irrespective of their nature. In other words, all fixed and variable costs are absorbed in the products. It is based on the principle that costs should be charged or absorbed to whatever is being costed.

3. Marginal Costing:- In Marginal Costing, only variable costs are charged to the products and profit costs are written off to the Costing Profit and Loss A/c. The principle followed in this case is that since Fixed costs are largely period costs, they should not enter into the production units. Naturally, the fixed costs will not enter into the inventories and they will be valued at marginal costs only.

4. Uniform Costing :- This is not a distinct method of costing but is the adoption of identical costing principles and procedures by several units of the same industry or by several undertakings by mutual agreement. Uniform costing facilitates valid comparisons between organizations and helps in eliminating inefficiencies.

5. Standard Costing:- It is a technique whereby actual costs are compared with already set standards. It is thus method of both cost ascertainment and control. This technique may be used alongwith any technique.