] Historical Absorption Costing:

It’s the ascertainment of costs after they have been incurring. It defines as the practice of charging all costs, both variable and fixed, to operations, process or products. It also knows as traditional costing. Its ascertainment of costs after they have been incurring. It aims at ascertaining costs incurred on work done in the past.

It has a limited utility, though comparisons of costs over different periods may yield good results. Since costs are ascertaining after they have been incurring, it does not help in exercising control over costs. However, It is useful in submitting tenders, preparing job estimates, etc.

2] Marginal Costing:

It refers to the ascertainment of costs by differentiating between fixed costs and variable costs. In this technique, fixed costs are not treated as product costs. They are recovering from the contribution (the difference between sales and variable cost of sales).

The marginal or variable cost of sales includes direct material, direct wages, direct expenses, and variable overhead. It is the ascertainment of marginal cost by differentiating between fixed and variable costs.

It uses to ascertain the effect of changes in volume or type of output on profit. This technique helps management in taking important policy decisions such as product pricing in times of competition, whether to make or not, selection of product mix, etc.

3] Budget and Budgetary Control Costing:

A budget is a quantitative statement preparing before the defined period to help achieve certain objectives of the firm. When we talk about the techniques of costing, budgetary control is an important technique. This budget can be in the form of quantities or can be a monetary statement. A budget will lay down the objectives of this period, and the firm’s methods to achieve them.

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For example, a production budget will deal with quantities of goods to produce. On the other hand, a marketing budget will be a monetary statement. Another important feature of a budget is that it prepares ahead of time. So the budget can be for the next quarter or the next year or any such predetermined period.

Budgetary control is the preparation of budgets and analysis of the actual performance of the firm in comparison to the budgeted numbers. If there is a lot of variation from the budget the firm can take corrective action. This is how budgetary control works.

4] Differential Costing:

Differential cost is the difference in total cost between alternatives-evaluate to assist decision making. This technique draws the curtain between variable costs and fixed costs. It takes into consideration fixed costs also (unlike marginal costing) for decision making under certain circumstances.

This technique considers all the revenue and cost differences amongst the alternative courses, of action to assist management in arriving at an appropriate decision.

5] Standard Costing:

It refers to the ascertainment and use of standard costs and the measurement and analysis of variances. Standard cost is a predetermining cost that computes in advance of production based on a specification of all factors affecting costs. A comparison makes of the actual cost with a pre-arranged standard cost and the cost of any deviation (called variances) analyzes by causes.

This permits management to investigate the reasons for these variances and to take suitable corrective action. The standards are fixed for each element of cost. To find out variances, the standard costs are comparing with actual costs. The variances are investigating later on and wherever necessary, rectification steps are initiating promptly. The technique helps in measuring the efficiency of operations from time to time.