

Cost Accounting

M. COM. SEMESTER – 2

(English Medium)

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Meaning of Product Pricing

Price means the instrument necessary for the exchange of any product or related service. Price is not an object but an instrument. The business units must fix the price with the aim of objectives decided by the firm

- Mr. William.

Dr. Manish M. Chudasama

Objectives of Price policy

1. Objective of entering in market
2. Objective getting reasonable market share
3. Objective of earning maximum profit
4. Objective of surviving in competition
5. Objective of achieving fixed return on capital investment
6. Objective of product line development
7. Objective of steady pricing

Factor Affecting Price determination

1. Objective
2. Characteristics of market
3. Production expenses
4. Customer's Attitude
5. Price Elasticity of Demand
6. product lifecycle stage
7. Distribution Channel
8. Competitor's price policy
9. Inspiration Strategy
10. Government policy and law
11. Economical Condition

Pricing Decision Process

1. Selecting the price objectives
 - A. Maximum Market Skimming
 - B. Maximum Current profit
 - C. Product – Quality Leadership
 - D. Survival
 - E. Maximum Market Share
2. Determining Demand
 - A. Price Sensitivity
 - B. Estimating Demand Curve
 - C. Price elasticity of demand

3. Estimating Costs

- A. Levels of productions and types of costs
- B. Accumulated Production
- C. Activity based cost accounting
- D. Target costing

4. Analyzing Competitor's costs, price and offers

5. Selecting a Pricing method

6. Selecting the final price

- A. Company pricing policies
- B. Impact of price on other parties
- C. Impact of Marketing Activities
- D. Gain and Risk sharing pricing



Thank you

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