

9. Budgetary control does not require standardisation of product. But standard costing requires standardisation of product.
10. Budgets are for a specific period. They have to be revised when the period is over. Standards need not be changed unless and until essential conditions change.

Advantages of Standard Costing

The advantages of standard costing are as follows:

1. **Cost control:** Standard costing is an effective tool of cost control. Cost control can be achieved by comparing actual cost with standard cost and taking corrective action through analysis of variance.
2. **Valuable aid to management:** Standard costing is a valuable aid to management in formulating price and product policies. It also helps in discharging managerial functions.
3. **Measurement of performance:** Standard costing provides a yardstick against which actual cost can be compared to measure efficiency.

Management by exception: Standard costing facilitates the application of management by exception. By studying the variances, management can pay more attention to weak areas that require control.

5. **Quick reporting:** Standard costing facilitates timely presentation of cost reports to management for the purpose of decision making.
6. **Utilisation of resources:** Standard costing ensures the effective utilisation of men, material and machine by eliminating wastes.
7. **Economy:** Standard costing reduces clerical labour. It does not require the maintenance of detailed cost records.

Co-ordination: While establishing standard costs, different functions such as purchasing, selling, production, accounting etc. are co-ordinated.

9. **Inventory valuation:** Standard costing simplifies the valuation of stock because stock is valued at standard cost. The difference between standard cost and actual cost is transferred to a variance account.
10. **Delegation of authority:** Top management can easily delegate work to lower levels because 'remote control' becomes possible through standard costing.
11. **Cost consciousness:** Standard costing creates cost consciousness among the personnel by fixing responsibilities.
12. **Motivation:** Standard costing helps in introducing incentives to employees. It provides a basis for motivating them.
13. **Fixation of prices:** Standard costing helps in fixing selling price in advance of production. This enables to prepare quotations and to secure orders.