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Traditional management accounting control techniques tend to focus on cost containment whereas cost management concentrates on cost reduction.

Traditional management accounting control techniques are routinely applied on a continuous basis whereas cost management tends to be applied on an ad hoc basis.

Many of the approaches that fall within the area of cost management do not rely exclusively on accounting techniques.

## Target Costing

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- Focuses on managing costs during a product/service's planning and design phase.
- Involves the following stages:
  - 1) Determine the target price which customers will be prepared to pay for the product.
  - 2) Deduct a target profit margin from the target price to determine the target cost.
  - 3) Estimate the actual cost of the product.
  - 4) If estimated actual cost exceeds the target cost investigate ways of driving down the actual cost to the target cost.

It is important that target costing is supported by an accurate costing system using appropriate cause-and-effect cost drivers