THE ANALYSIS OF COST EFFECTIVENESS: EMPIRICAL EVIDENCE FROM INDIAN AUTOMOBILE FIRMS

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ABSTRACT
A study of cost trends helps in measuring efficiency with which each task has been carried out. It helps in having control over expenditure and in fixing prices. It provides information to the management on the basis of which they can control day to day operations of the industry. It is owing to this fact that cost trends of the Indian automobile industry have been studied in this study by analysing different components of total cost. The greater variations was observed in the proportion of various components of cost and total cost as percentage of sales which may be due to increase in the price of raw materials, revision of wages for workers, capacity utilization, depreciation on fixed assets, debt utilization capacity and the greater variation in the amount of sales. Further, factory overhead and office and administration and selling overhead and thereby total cost contribute much towards the cost effectiveness in all the selected companies during the study period.

KEYWORDS: cost effectiveness, overhead, automobile industry, factor analysis and variance of analysis.