

**A STUDY ON STRATEGIC COST ANALYSIS AND CONTROL TECHNIQUES  
FOR ENHANCING ORGANIZATIONAL EFFICIENCY AND PROFITABILITY  
WITH REFERENCE TO HERO MOTOCORP Ltd.**

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**ABSTRACT**

The sum of all input elements utilised to produce a certain amount of output is called the total cost of production. The two most common inputs to economic models are capital (K) and labour (L). It is believed that capital is a fixed input, meaning that its use is independent of output. As a unit of capital, the rental price is represented by  $r$ . The sum of all fixed costs is  $Kr$ . Because labour is a changeable input, the quantity of labour employed changes in relation to the level of output. Indeed, in the near term, changing the quantity of the variable input is the only means of influencing the output. The cumulative variable costs are  $Lw$ , where  $L$  is the cost of labour and  $w$  is the pay rate per unit. Thus, the sum of all costs is equal to the sum of all fixed costs and all variable costs.

Putting a monetary value on the following: (1) time and energy put in; (2) materials used; (3) resources acquired; (4) water and electricity used; (5) potential dangers faced; and (6) missed opportunities that might have been avoided. While it's true that all costs are expenditures, not all costs are expenses. For example, the cost of an income-generating asset is not an expense.

As the country's economy opens up and the global economic scene changes, the profession is becoming more aware of its responsibility to serve the nation, government, industry, and society in order to achieve the goals of a welfare state that lead to the prosperity and well-being of its people. Traditional auditing and accounting has fallen out of favour in modern times, with accountants now playing an increasingly important role in the allocation of limited resources like capital and land as well as in the implementation of strategic choices. As a result, cost and works accountants in India and throughout the world now have even more room to grow professionally by taking on the role of cost and management accountants in line with emerging trends and goals. Professionals in this field will, while employed, serve as the engine that propels management teams forward, as well as an important consultant, an efficient auditor of costs and management, and a suitable adviser. Because of this, the term "Management Accountant" is used to describe cost accountants in India. Our other name is this. Feel free to peruse our website at your leisure. There is comprehensive data accessible on our operations, background, and professional certifications.

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## I. INTRODUCTION

### **COST:**

Cost is essential in every walk of our life – national, domestic and Business. A cost is prepared to have effective utilization of funds and for the realization of objective as efficiently as possible. Costing is a powerful tool to the management for performing its functions i.e., formulation plans, coordination activities and controlling operations etc., efficiently. For efficient and effective management planning and control are two highly essential functions. Costing and cost control provide a set of basic techniques for planning and control.

A cost fixes a target in terms of rupees or quantities against which the actual performance is measured. A cost is closely related to both the management function as well as the accounting function of an organization.

As the size of the organization increases, the need for costing is correspondingly more because a cost is an effective tool of planning and control. Cost is helpful in coordinating the various activities (such as production, sales, purchase etc) of the organization with result that all the activities precede according to the objective. Costs are means of communication. Ideas of the top management are given the practical shape. As the activities of various department heads are coordinated at the much needed for the very success of an organization. Cost is necessary to future to motivate the staff associated, to coordinate the activities of different departments and to control the performance of various persons operating at different levels.

Costs may be divided into two basic classes. Capital and operating costs. Capital cost is directed towards proposed expenditure for new projects and often require special financing.

The operating costs are directed towards achieving short-term operational goals of the organization for instance, production or profit goals in a business firm. Operating costs may be subdivided into various departmental or functional costs.

### **Definition of 'Cost-Benefit Analysis'**

A process by which business decisions are analyzed. The benefits of a given situation or business-related action are summed and then the costs associated with taking that action are subtracted. Some consultants or analysts also build the model to put a dollar value on intangible items, such as the benefits and costs associated with living in a certain town. Most analysts will also factor opportunity cost into such equations.

You may have been intensely creative in generating solutions to a problem, and rigorous in your selection of the best one available. This solution may still not be worth implementing, as you may invest a lot of time and money in solving a problem that is not worthy of this effort.

Cost Benefit Analysis or cba is a relatively simple and widely used technique for deciding whether to make a change. As its name suggests, to use the technique simply add up the value of the benefits of a course of action, and subtract the costs associated with it.

Costs are either one-off, or may be ongoing. Benefits are most often received over time. We build this effect of time into our analysis by calculating a payback period. This is the time it takes for the benefits of a change to repay its costs. Many companies look for payback over a specified period of time – e.g. three years.

In its simple form, cost-benefit analysis is carried out using only financial costs and financial benefits. For example, a simple cost/benefit analysis of a road scheme would measure the cost of building the road, and subtract this from the economic benefit of improving transport links. It would not measure either the cost of environmental damage or the benefit of quicker and easier travel to work.

### **NEED OF THE STUDY:**

The importance of cost reduction programs within a company cannot be overstated. Companies that are losing money, need to increase profits, or must become more competitive need to cut expenses in order to succeed. Knowing how to implement effective cost reduction strategies can be the determining factor in the survival of a business.

When a company must generate more cash as fast as possible, management will have to decide which costs can be most effectively reduced. If the reduction is needed quickly, expenses cut first will normally be those that are not fixed or directly tied to production. It is not a good idea to drastically reduce expenses that produce the company product or service without careful evaluation.

If your company understands the importance of cost reduction as a tool to increase profitability, the company will have a much better chance of remaining profitable no matter what stage of the economic cycle is occurring. That is because cost reduction is an effective tool that can be responsive to a company's need. Managing expenses is just as important as managing revenue.

Keeping the competitive edge means keeping the company razor sharp. There is no room for laxness which dulls the ability of a company to be responsive to market trends. Changes can occur rapidly, and a company that cannot respond with new methods, new material usage, service efficiency changes, or technological adaptability will be quickly outperformed by other businesses. The importance of cost reduction strategies lies in its contribution to a company's honing of performance.

### **SCOPE OF THE STUDY:**

Since it will not be possible to conduct a micro level study of all type industries in Andhra Pradesh, the study is restricted to Hero MotoCorp Ltd only.

## **OBJECTIVES OF STUDY**

### **THE STUDY HAS THE FOLLOWING:**

- To provide the material frame work of cost and Cost Control Analysis
- To describe the profit of the organization as a backdrop for undertaking a study of Cost Benefit Analysis.
- To analyze the cost system in practice in Hero MotoCorp Ltd with particular reference to their objectives and phases of organizational and re-appropriation.
- In addition to the analysis of the conventional cost system in practice in Hero MotoCorp Ltd. The study aims at evaluation and modification to the current cost system with reference to the various types of costs. The scope in the formulation of performance cost is also studied.
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- In addition to the analysis of the conventional Cost system in practice in Hero MotoCorp Ltd. The study aims at evaluation and modification to the current cost system with reference to the various types of costs. The scope in the formulation of performance budget is also studied.
- To study the cost estimates and the revenue expenditure and revenue receipts.
- To study the variations of the actual from the cost estimates.
- To study the working of the financial department at Hero MotoCorp Ltd.

### **SOURCES OF DATA:**

The data of Hero MotoCorp Ltd have been collected mainly from secondary sources viz.,

- Form the concerned officers of the Hero MotoCorp Ltd
- Hero MotoCorp Ltd journals.
- Accounting books, records.
- Key books of concerned title.
- Statistical records
- Hero MotoCorp Ltd library.

## **II. METHODOLOGY:**

The proposed study is carried with the help of both primary and secondary sources of data.

### **PRIMARY DATA:**

The primary data is collected by interacting with the finance manager and other concerned executives at the administrative office of the company.

### **SECONDARY DATA:**

All the secondary data used for the study has been extracted from the annual reports, manuals and other published material of the company.

### **LIMITATIONS:**

- Estimates are used as basis for cost plan and estimates are based mostly on available facts and best managerial judgment

- Cost control cannot reduce the managerial function to a formula. It is only a managerial.
- Tool which increase effectiveness of managerial control.
- The use of cost may be to restricted use of resources. Costs an often taken as limits.
- Efforts may therefore not be made to exceed the performance beyond the cost targets.
- Frequent changes may be called for in costs due to first changing industrial climate.
- In order that a system may be successful, adequate costs education should be imparted at least through the formative period. Sufficient training programs should be arranged to make employees give positive response to cost activities.
- The study is the limited up to the date and information provided by Hero MotoCorp Ltd and its annual reports.

### **III. OBJECTIVES OF COST:**

The primary objective of cost control's to help the management is systematic planning and in controlling the operations of the enterprise. The primary objective can be met only if there is proper communication and coordination amongst different within the organization. Thus the objectives can be stated as:

#### **1. PLANNING:**

Businesses require planning to ensure efficient and maximum use of their resources. The first step in planning is to define the broad aims and objectives of the business. Then, strategies to achieve the desired goals are formulated and tentative schedule of the proposed combinations of the various factors of production, which is the most profitable for the defined period. Cost influences strategies that need to be followed by the organizations. It cultivates forced planning aiming managers.

#### **2. CO-ORDINATION:**

Co-ordination is managerial functions under which all factors of production and all departmental activities are balanced and integrated achieve the objectives of the organization. Costing provides the basis for individual in all department to exchange ideas on how best the organizations objectives can be realized. Executives are forced to think of the relationship between their department and the company as a whole. This removes unconscious biases against other departments. It also helps to identify weaknesses in the organization structure.

#### **3. COMMUNICATIONS:**

All people in the organization must know the objectives, policies and performances of the organizations. They must have a clear understanding of their part in the organizations goals. This is made possible by ensuring their participation in the costing process.

#### **4. CONTROLS AND PERFORMANCE EVALUATION:**

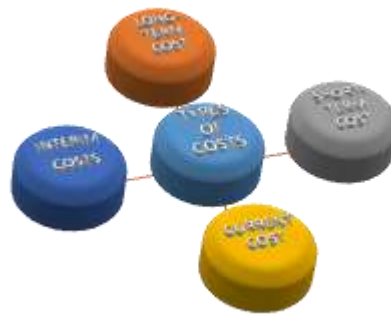
Control ensures control by continuous comparison of actual performance with the costed performance. Variances are highlighted and corrective action can be initiated. Cost's also form the basis of performance evaluation in an organization as they reflect realistic estimates of acceptable and expected performance.

## **COST, COSTING AND COST CONTROL:**

A cost is BLUE PRINT of a plan expressed in a quantitative terms. Costing is a technique for formulating costs. Cost control relates to the principles, procedures, and practice of achieving given objectives through costs.

From the above definitions we can differentiate the three terms as costs are the individuals objectives of a department, etc, where as costing may be said to be the act of building cost. Cost control embraces all and in addition includes the science of planning the costs to effect on overall management tool for the business planning and control.

### **IV. TYPES OF COSTS:**



#### **1. LONG -TERM COSTS:**

The long-term costs prepared for a long period of five to ten years. They are concerned with planning the operations of a firm over a considerably long period of time. The financial “controller” exclusively for the top management usually prepares long-term costs. These costs are very useful in terms of physical units (i.e. quantities) or percentages, since accrued values may be difficult to forecast over such long-period. Capital expenditure, research and development costs, etc, are examples of long-term costs.

#### **2. SHORT TERM COSTS:**

Short-term costs are costs prepared for a short period of one to two year. They are prepared for those activities the trend in which cannot be for seen easily over long periods. These costs are very useful in case of consumer goods industries such as sugar, cotton, textiles, etc. they are generally prepared in terms of physical units (i.e. quantities) as well as monetary units (i.e. values) materials cost. Each cost etc, are example of short-term cost. They are useful to lower level of management for control purpose.

#### **3. CURRENT COSTS:**

Current cost is a cost, which is established for use over a short period of time and is related to current conditions. Thus current costs are essentially short term costs adjusted to current (i.e., present or prevailing) condition or circumstances. They are prepared for a very short period. Say, a quarter or a month. They related to current activities of the costs.

#### **4. INTERIM COSTS:**

Interim costs are costs, which are prepared in between two cost periods. These costs may get integrated with the cost of the following period.

#### **CLASSIFICATION OF COSTS ACCORDING TO CONTENT:**

Costs may be classified into costs in physical terms and into costs in monetary terms.

##### **A) COSTS IN PHYSICAL TERMS:**

Costs in physical terms are cost in terms quantities only. They do not include corresponding rupee value. Long-term costs are usually prepared in physical terms. Examples of such costs are production costs, material cost etc...

##### **B) COSTS IN MONETARY TERMS:**

Costs in monetary terms are costs that cost in terms of quantities as well as their corresponding rupee value, sales cost, purchase cost, etc are example of such costs. Costs such as cash cost, capital expenditure cost, etc that may not have physical quantities also from part of costs in monetary terms.

#### **V. DATA ANALYSIS AND INTERPRETATION** **HERO's REVENUE COST**

TABLE-I

(Rs in corers)

SL.NO	PARTICULAR	Coasted estimated for the 2023-24		Actual for the year 2023-24	
1	Sales				
	Fixed (Finished goods)	25478.3	2547.82	24073.1	2407.3
	Variable (Spar parts)	3698.54	369.85	3368.67	336.86
	Fuel price adjustment	205.67	20.56	158.47	15.84
	Own consumption	45.67	4.56	29.97	2.99
	Total of 1	29428.2	2942.81	27630.2	2763.02
2	Average intensives	3258.69	325.86	2967.35	296.73
3	Other income	450.28	45.02	337.7	33.77
	GRAND TOTAL (1+2+3)	33137.1	331.37	30935.3	3093.52

#### **INTERPRETATION**

The data pertaining to the generation and consumption have been **obtained from the year 2023-24** and represented in table -1. The aspect included are total generation in (crores Rs) and utilization for auxiliary consumption respectively.

During the year 2023-24 the sales, fixed costs, variable cost , own Consumption was decreased. When the estimated coasted so sales consumption is 10.28 % respectively.

During the year 2023-24 the average intensive are 2967.35 the other Income also 33.77 % respectively.

Finally with regard to the result in revenue cost of Hero MotoCorp Ltd totally 309.35 % in the year 2023-24 respectively.

#### . HERO's REVENUE COST

TABLE-I (Rs in corers)

SL.NO	PARTICULAR	Coasted estimated for the 2022-23		Actual for the year 2022-23	
1	Sales				
	Fixed (Finished goods)	22548.7	2257.86	21727.1	2172.7
	Variable (Spar parts)	3157.84	315.78	3054.54	305.45
	Fuel price adjustment	139.68	13.96	134.51	13.45
	Own consumption	20.25	2.02	10.28	1.02
	Total of 1	25866.5	2586.64	24926.4	2492.63
2	Average intensives	2789.65	278.96	2657.84	265.78
3	Other income	450.25	45.02	446.38	44.63
	GRAND TOTAL (1+2+3)	29106.4	2910.63	28030.6	2803.06

#### INTERPRETATION

The data pertaining to the generation and consumption have been **obtained from the year 2022-23** and represented in table -1. The aspect included are total generation in (crores Rs) and utilization for auxiliary consumption respectively.

During the year 2022-23 the sales, fixed costs, variable cost , own Consumption was decreased. When the estimated costed so sales consumption is 10.28 % respectively.



During the year 2022-23 the average intensive are 2657.84 the other Income also 44.63 % respectively.

Finally with regard to the result in revenue cost of Hero MotoCorp Ltd totally 284.80 % in the year 2022-23 respectively.

## **VI. FINDINGS**

- The year 2023-24 the average intensive are 29.67% the other Income also 33.77 % respectively.
- The year 2022-23 the average intensive are 26.57% the other Income also 44.63 % respectively.
- The year 2021-22 the average intensive are 25.16.% the other Income also 39.83 % respectively.
- The year 2020-21 the average intensive are 45.46 % the other Income also 34.74 % respectively.
- The year 2019-20 the average intensive are decreased 45.27 % the other Income also decreased 2.38 % respectively
- The year 2023-24. However the total operating maintenance costs are 39.23 % increasing respectively.
- The year 2022-2023. However the total operating maintenance costs are 26.74 % increasing respectively.
- The year 2021-22. However the total operating maintenance costs are 23.53 % increasing respectively.
- The year 2020-21. However the total operating maintenance costs are 19.39 % decreasing respectively.
- The year 2019-20. However the total operating maintenance costs are 12.51 % decreasing respectively.

## **SUGGESTIONS**

Planning has become the primary function of management most of the planning relates to individual and individual proposals. Costs are nothing but his expressions, largely in financial terms, cost control has, therefore become and essential tool of management for controlling and maximizing profits.

- ✓ The company objectives of the organization and how they can be achieved through cost control
- ✓ Time tables for all stages of costing follow
- ✓ Reports, statements, forms and other record to be maintained
- ✓ Continuous comparison of actual performance with coasted performance.

## **VII. CONCLUSIONS**

Every company has its own set of goals and objectives, but getting there requires careful planning and cost-effective execution. Integrated growth of the auto motor company is one of the goals of Hero MotoCorp Ltd. Hero MotoCorp Ltd's overarching goal is to facilitate the rapid expansion of this industry

via the provision of high-quality services in ever-increasing volumes. A company's management team is crucial to its success since they are responsible for setting strategic goals, developing actionable strategies, and monitoring and controlling expenses. There are two phases to the cost process at Hero MotoCorp Ltd. There are two types of operational costs: capital expenditure cost and operating and maintenance cost. The former shows the list of capital projects that have been invested in and their estimated cost, while the latter covers repairs and maintenance. Finally, there are special costs that are rarely used by the organisation, such as long-term costs, research and development costs, and consultancy costs. Its purpose is to provide its workers with high-quality, efficient resources, to use cutting-edge technology, and to foster an environment where they can work together productively.

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