



A STUDY ON COST AND COSTING MODELS IN HONDA MOTORS

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ABSTRACT

Cost and costing models are important for controlling expenses, improving efficiency, supporting pricing decisions, and profitability. This study examines cost and costing models used in Honda Motors, with emphasis on standard costing, activity-based costing, marginal costing, process costing, and cost-control practices. It uses primary responses from 120 employees and secondary information from reports, books, journals, and company publications. Percentage analysis is applied to interpret respondent perceptions. Findings indicate that standard costing is the most frequently used model, while cost control is its major purpose. Rising raw-material costs remain the main challenge. The study recommends strengthening digital costing and cost-monitoring systems.

Keywords: Costing Models, Cost Control, Standard Costing, Manufacturing Costs, Honda Motors

1. INTRODUCTION

Cost management is a fundamental function in manufacturing organizations because production expenses directly influence pricing, profitability, operational efficiency, and long-term competitiveness. In the automobile industry, manufacturers manage complex production systems involving raw materials, labour,

machinery, utilities, transportation, maintenance, technology, and large supplier networks. Accurate identification and allocation of these costs enable managers to plan production, control expenditure, evaluate performance, determine selling prices, and make informed financial decisions. Costing refers to the systematic process of collecting, classifying, recording, allocating, analysing, and controlling costs associated with business operations. Costing models provide structured approaches for determining product and process costs. Standard costing establishes predetermined costs and supports variance analysis; marginal costing assists cost-volume-profit evaluation and short-term decisions; activity-based costing allocates overhead according to activities; process costing supports continuous production environments; and budgetary control compares actual performance with planned expenditure. Honda Motors operates in a highly competitive automobile environment characterized by changing customer preferences, fluctuating raw-material prices, technological developments, environmental requirements, and pressure for quality at competitive prices. Effective costing therefore becomes essential for maintaining manufacturing efficiency and financial sustainability. The report explains that costing models support production scheduling, inventory management, pricing decisions, profitability analysis, resource utilization, and managerial decision-making. It also highlights the growing importance of digital technologies, automation, enterprise resource planning, business analytics, cloud



systems, and artificial intelligence in improving cost-data collection and reporting. The present study focuses on the cost and costing models used in Honda Motors and examines their contribution to cost control, operational effectiveness, pricing, profitability, and financial decision-making. Primary data were collected through a structured questionnaire from 120 respondents belonging to costing, production, finance, accounts, and related departments. Secondary information was obtained from published reports, financial statements, accounting books, journals, academic publications, and other organizational sources. The study uses percentage analysis to interpret respondent perceptions and identify the dominant patterns related to costing practices. The study is significant because it identifies the costing approaches most commonly perceived as useful, evaluates the effectiveness of cost-control mechanisms, and highlights the principal challenges affecting cost management. It also provides practical suggestions for strengthening costing procedures and improving financial and operational performance. The uploaded report similarly emphasizes that costing information supports production planning, pricing, inventory management, profitability analysis, and managerial decision-making.

2. REVIEW OF LITERATURE

The literature reviewed in the report emphasizes the importance of systematic costing for manufacturing performance and managerial decision-making. Horngren, Datar, and Rajan (2016) explain that reliable cost information supports planning, pricing, budgeting, and profitability analysis. Kaplan and Anderson (2017) emphasize Activity-Based Costing for improving indirect-cost allocation and cost accuracy. Drury (2018) highlights standard costing and variance analysis as useful mechanisms for monitoring production efficiency. Pandey (2019) links effective cost control with profitability and resource utilization, while Brigham and Ehrhardt (2020) stress the role of accurate cost information in pricing, budgeting, investment, and operational decisions. Gupta and Sharma (2021) note increasing use of ERP and digital accounting tools among Indian automakers. Singh and Verma (2022) identify marginal costing as useful for cost-volume-profit analysis and short-term decisions. Agarwal and Joshi (2023) associate budgetary control with financial discipline and resource allocation. Srinivas and Kumar (2024) highlight cloud accounting, analytics, automation, and artificial intelligence in cost management. Ramesh and Prasad (2025) conclude that integrating conventional and contemporary costing approaches can improve manufacturing efficiency, profitability, and cost control. The report identifies a research gap concerning integrated costing practices in large automobile manufacturers such as Honda Motors.

3. OBJECTIVES OF THE STUDY

1. **To investigate the cost and costing models used by Honda Motors in its production processes.**
2. **To evaluate how costing models help reduce production costs and improve operational effectiveness.**
3. **To assess how costing data influences profitability analysis, budgeting, and pricing decisions.**
4. **To identify the major issues influencing costing and cost management practices at Honda Motors.**
5. **To suggest appropriate measures for strengthening financial performance through efficient costing models and improved cost-control mechanisms.**

4. RESEARCH METHODOLOGY

The study adopts a descriptive and analytical research design. Data were collected through a questionnaire from 120 respondents using convenience sampling. Respondents represented costing, production, finance, accounts, and related functions. Secondary information was obtained from reports, financial statements, books, journals, and company publications. Percentage analysis was used to interpret responses.



4.1 STATISTICAL TOOL

Percentage Analysis

Percentage analysis is selected as the appropriate statistical tool because the study primarily examines respondent perceptions regarding costing models, cost-control effectiveness, pricing decisions, and cost-management challenges. It enables the responses of 120 respondents to be presented clearly in terms of frequencies and percentages.

5. DATA ANALYSIS AND INTERPRETATION

Sample Size: 120 respondents

Table 5.1: Costing Model Most Often Used

Costing Model	Respondents	Percentage
Standard Costing	46	38.3%
Activity-Based Costing	24	20.0%
Marginal Costing	22	18.3%
Process Costing	18	15.0%
Others	10	8.3%
Total	120	100%

Analysis: Standard costing received the highest response with 46 respondents, representing 38.3% of the sample.

Interpretation: Standard costing is perceived as the most frequently used costing model at Honda Motors, followed by activity-based costing and marginal costing. This directly supports the first objective of identifying the costing models used by the organization. The report presents the same distribution and identifies standard costing as the most extensively used model.

Table 5.2: Cost Control Effectiveness

Response	Respondents	Percentage
Strongly Agree	38	31.7%
Agree	46	38.3%
Neutral	18	15.0%
Disagree	12	10.0%
Strongly Disagree	6	5.0%
Total	120	100%

Analysis: A total of 84 respondents, representing 70.0%, either strongly agree or agree that the existing cost-control measures are effective.

Interpretation: The majority of respondents consider Honda Motors' current cost-management mechanism effective. This indicates that costing practices contribute positively to controlling manufacturing expenses and improving operational effectiveness..



Table 5.3: Cost Management's Main Challenge

Cost Management Challenge	Respondents	Percentage
Raw Material Cost	44	36.7%
Labour Cost	24	20.0%
Technology	22	18.3%
Competition	18	15.0%
Others	12	10.0%
Total	120	100%

Analysis: Rising raw-material costs represent the highest response, with 44 respondents or 36.7%.

Interpretation: Raw-material cost is identified as the principal challenge affecting cost management at Honda Motors. Labour costs and technological requirements are the next major concerns. This finding supports the objective of identifying the principal issues influencing costing and cost-management practices.

6. RESULTS

1. **Standard costing is the most frequently used costing model**, with 38.3% of respondents identifying it as the dominant model.
2. **Activity-based costing and marginal costing** are also used, indicating the presence of multiple costing approaches within the organization.
3. **Cost-control mechanisms are perceived positively**, with 70% of respondents agreeing or strongly agreeing that existing cost-control measures are effective.
4. **Costing models contribute to managerial decision-making**, particularly in controlling costs, planning production, and supporting pricing decisions.
5. **Raw-material cost is the principal cost-management challenge**, identified by 36.7% of respondents.
6. **Labour costs and technology** are additional factors influencing the organization's cost-management practices.
7. **Systematic costing provides useful information** for improving resource utilization, operational efficiency, financial planning, and profitability.
8. **Digital costing systems can further strengthen cost management**, particularly through automation, analytics, ERP systems, and real-time reporting.

7. SUGGESTIONS

1. **Honda Motors should strengthen the integration of different costing models** according to production requirements and managerial decision-making needs.
2. **Standard costing should be supported by regular variance analysis** to identify deviations between planned and actual production costs.
3. **Activity-Based Costing should be expanded where appropriate** to improve the accuracy of overhead allocation.
4. **Raw-material costs should be continuously monitored** because they represent the largest reported cost-management challenge.
5. **Supplier cost negotiations and procurement planning should be strengthened** to manage fluctuations in raw-material prices.
6. **Digital costing and ERP systems should be enhanced** to provide timely and accurate cost information.
7. **Management should conduct regular reviews of costing procedures** to ensure that the models remain suitable under changing market and production conditions.



8. **Employees involved in finance, costing, and production should receive periodic training** in modern costing techniques and analytical tools.
9. **Real-time cost monitoring should be encouraged** to identify cost deviations quickly and facilitate corrective action.
10. **Cost information should be integrated with pricing, budgeting, production, and profitability decisions** to improve overall financial performance.

8. CONCLUSION

The study concludes that cost and costing models have an important role in supporting cost control, production efficiency, pricing decisions, and financial management at Honda Motors. The analysis shows that standard costing is the most frequently used model among the respondents, while cost control is identified as its major purpose. A substantial proportion of respondents also believe that existing cost-control mechanisms are effective and that costing models support appropriate pricing decisions. At the same time, rising raw-material costs remain the principal challenge affecting cost management. Overall, the findings indicate that systematic costing provides useful information for managerial planning and operational control. Honda Motors can further strengthen its costing framework by integrating digital technologies, improving real-time cost monitoring, refining overhead allocation, and continuously reviewing costing practices according to changing production and market conditions. Such measures can support better resource utilization, stronger financial discipline, improved competitiveness, and sustainable organizational performance. The report similarly concludes that effective costing models can reduce manufacturing costs, improve resource utilization, support managerial decisions, and contribute to long-term financial sustainability.

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