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The Crucial Role of Costing in Achieving Competitive Advantage in Business

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In today's extremely competitive market, it is widely thought that in order to prosper, businesses must build a competitive advantage, which may be accomplished through efficient cost accounting management (Nikkeh et al., 2022; Falahat et al., 2020). Learning cost accounting will help the business understand the costs connected with the items or services that it sells.



Cost accounting involves analysing and tracking all costs incurred from the manufacturing process till after-sales service, which management will use to make

judgements, and then utilising that knowledge to make decisions. Considering the case of Proton, the company needs to comprehend the costs connected with each product to decide the price at which a vehicle or another item must be marketed. The prices charged do not only cover the direct costs associated with a particular product. There are costs such as manufacturing overhead, which includes machinery costs, occupation charges, and many other costs that must be incurred in order for the product to be ready for sale.

The goals of costing are to help determine the cost structure and estimate the product's selling price, thus help management to make policy decisions, as well as to offer cost information to management for planning and controlling purposes. As a result, it allows the business to maximise profit while lowering expenses yet maintaining product quality and generating a competitive advantage. The competitive advantage of a business is crucial as it will influence



customers' choices by encouraging them to choose its products over those of competitors. The customer experience of higher quality, right priced, and more lasting business products may provide a competitive advantage to the business (Nikkeh et al., 2022).

The right price of the product refers to the business's ability to determine pricing based on a fair evaluation of expenses, competition, and customer expectations (Dutta et al., 2003). Better pricing capabilities may provide a company with an advantage over others by enabling better client offers. Businesses looking to expand their market share profit from identifying and creating competitive advantages that lead to higher product or service sales profitability (Na et al., 2019). Establishing competitive advantages, attracting more customers, boosting customer frequency, and retaining potential customers by cultivating brand loyalty are all factors that contribute to the increase in overall sales (Liu et al., 2019).



Managers in companies without effective pricing systems might struggle to establish appropriate prices that reflect their customers' desires, allowing customers to waste business resources (Falahat et al., 2020; Dutta et al., 2003). Falahat et al. (2020) discovered that price advantages reflect on competitive advantages for Malaysian SMEs' worldwide performance. This highlights the importance of pricing capability for enterprises seeking a competitive advantage through product innovation, where appropriate pricing may be required to capitalize on product innovation. As a conclusion, it is evident that cost accounting is a critical factor for gaining a competitive edge and achieving success in business.



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