

SEMESTER - 4

MANAGEMENT ACCOUNTING [BAF-401]

INTRODUCTION

This course is designed to focus on planning and decision-making techniques used for raising short-term finance and investing in the project.

OBJECTIVE

To provide the students with a detailed knowledge of Cost and Management Accounting, to enable them to:

- use the present and traditional approaches of cost accounting in different contexts, and
- apply the cost and management accounting techniques, and evaluate the desired results in the light of the outcomes.

OUTCOMES

On completion of this course, students should be able to:

- make forecasts, prepare budgets including functional budgets, master budgets and flexible budgets,
- use the standard costing,
- learn budgetary control and performance evaluation methods.
- calculate, analyse, interpret and reconcile the variances,
- get acquainted with the different project appraisal methods,
- use the cost analyses techniques like break-even etc.,
- apply the modern costing techniques including activity based costing, throughput and back flush accounting and environmental costing,
- Learn cost reduction techniques.
- Understanding of Cost accounting records for different industries

INDICATIVE GRID

PART	SYLLABUS CONTENT AREA	WEIGHTAGE
A	FORECASTING AND BUDGETING TECHNIQUES 1. Forecasts 2. Budgeting	15%
B	PERFORMANCE MEASUREMENT 3. Budgetary Control 4. Performance Evaluation	10%
C	ADVANCED VARIANCE ANALYSIS 5. Standard Costing 6. Variance Analysis, Interpretation and Profit Reconciliation	15%
D	PROJECT APPRAISAL METHODS 7. Capital Investment Decisions 8. DCF Techniques of Investment Appraisal	10%
E	DECISION MAKING 9. Break Even Analysis of a Single product 10. Limiting factor Analysis 11. Inventory Management	30%
F	MODERN COSTING TECHNIQUES 12. Activity Based Costing 13. Throughput and Back flush Accounting 14. Environmental costing 15. Cost Reduction Techniques	10%
G	COST ACCOUNTING RECORDS	10%
TOTAL		100%

Note: The weightage shown against each section indicates, study time required for the topics in that section. This weightage does not necessarily specify the number of marks to be allocated to that section in the examination.

CONTENTS

PART - A

FORECASTING AND BUDGETING TECHNIQUES

1. Forecasts

- Forecasting using historical data
- Linear regression analysis
- Scatter diagrams and correlation
- Sales forecasting
- Regression and forecasting
- Components of time series
- Finding the trend
- Finding the seasonal variations
- Time series analysis and forecasting

2. Budgeting

- Functional budgets
- Budgetary Planning and Control system

- Sales Budgets
- Production Budget and related budgets
- Preparation of Cash Budgets
- Preparation for Complete Master Budgets
- Interaction between component and master budgets
- Capital Expenditure Budgets
- Fix and flexible budgets
- Monitoring procedures
- Preparation of projected income statement
- Preparation of projected statement of financial position

PART - B

PERFORMANCE MEASUREMENT

3. Budgetary Control

- Budgetary Control
- Flexible Budgets and Budgetary Control
- System design

- Rolling Budgets
- Alternative approaches to budgeting i.e. incremental, zero based and Activity based budgeting
- Behavioural implications of budgeting
- Budget Participation
- Use of Budgets as Targets
- Budget and Motivation
- Beyond Budgeting

4. Performance Evaluation

- Financial Performance Indicators (KPIs)
- Non-Financial Performance Indicators (KPIs)
- The Balanced Scorecard
- Benchmarking
- Ethical Issues relating to the preparation, presentation and interpretation of information for the management

PART - C

ADVANCE VARIANCE ANALYSIS

5. Standard Costing

- Advantages and disadvantages of Standard costing
- Setting standard for manufacturing
- Setting standard in service industries
- Updating standards
- Budgets and standard compared
- Criticism on standard costing

6. Variance Analysis, Interpretation and Profit Reconciliation

- Direct material cost variances
- Direct labour cost variances
- Variable overhead variances
- Fixed overhead variances
- Sales variances
- Operating statements
- Variances in a standard marginal costing
- Deriving actual data from standard cost details and variances
- Inter-relationships between variances
- Working backwards approach to variance analysis
- Material mix and yield variances
- Labour mix and yield variances
- Sales mix and quantity variances
- Investigate variance or not to investigate variance
- Variance investigation model
- Controllability principle in Joint Variances
- Interpretation of variances
- Profit reconciliation

PART - D

PROJECT APPRAISAL METHODS

7. Capital Investment decisions

- Process of investment decision making
- Post Audit
- Payback Method

8. DCF techniques of investment appraisal

- The Time Value of Money
- Relevant Cash Flows
- The net present value method
- The internal rate of return method
- NPV and IRR compared
- Modified IRR

- Discounted payback
- Allowing for taxation
- Capital rationing

PART - E

DECISION MAKING

9. Break Even Analysis of a Single Product

- Breakeven Analysis and Contribution
- Breakeven Point of single product
- Contribution/Sales (C/S) Ratio
- Margin of Safety
- Breakeven arithmetic and profit targets
- Breakeven charts and cost, profit/volume graphs and analysis
- Limitation of Breakeven analysis

10. Limiting factor Analysis

- Limiting factors
- Limiting factor analysis and restricted freedom of action
- Make or buy decisions and scarce resources
- Limiting factors and shadow prices
- Using limiting factors analysis

11. Inventory Management

- Managing inventories
- Economics order quantity
- Decision for availing bulk quantity purchase discount
- Deciding for Safety Stock quantity
- USE ABC Plan for inventory control
- Cost of estimation error in economic order quantity

PART - F

MODERN COSTING TECHNIQUES

12. Activity Based Costing

- Reasons for the development of ABC
- Outline of an ABC system
- Absorption costing versus ABC
- Marginal costing versus ABC
- Introducing an ABC system

13. Throughput and Back flush Accounting

- The theory of constraints (TOC)
- Throughput accounting

14. Environmental Costing

- The importance of environmental costs
- Environmental footprints
- Types of cost
- Environmental cost accounting

15. Cost Reduction Techniques

- Learning Curve
- Life Cycle Costing
- Target Costing
- Value Analysis & Functional Analysis

PART - G

COST ACCOUNTING RECORDS

- Textile Industry
- Petroleum Industry
- Pharmaceutical Industry
- Fertilizer Industry
- Sugar Industry

TEACHING METHODOLOGY: The faculty is advised to teach the topics in the mode of case studies based on problem solving and decision-making with practical approach.

RECOMMENDED BOOKS

CORE READINGS		
TITLE	AUTHOR	PUBLISHER
CIMA, UK Study Text	---	BPP
Relevant Study Text	---	Kaplan Publishing
Management and Cost Accounting	Colin Drury	Cengage Learning
Cost Accounting	Milton F. Usry / Lawrence Hammer / Adolph Matz	South Western / Thomson
Cost Accounting: A Managerial Emphasis	Charles T. Horngren, Srikant M. Datar, & George Foster	Prentice Hall / Pearson / Financial Times
Management Accounting Performance Evaluation	PBP	Professional Business Publications, Lahore.
ADDITIONAL READING		
Managerial Accounting	Ronald W. Hilton	McGraw-Hill
Managerial Accounting	Ray H. Garrison / Eric W. Noreen	McGraw-Hill