

SEMESTER - 2

FUNDAMENTALS OF COST & MANAGEMENT ACCOUNTING [BAF-201]

INTRODUCTION

This course is designed to make the students familiar with the application of basic methods and techniques of cost and management accounting. The course deals with the cost concepts, cost behaviour cost classification and cost flows, material, labour, factory overhead costing, marginal costing, standard costing and variance analysis.

OBJECTIVE

To provide the students an appropriate knowledge of Cost and Management Accounting to enable them to:

- understand basic concept of cost and management accounting,
- apply cost methods and techniques for preparing and presenting information for decision-making and cost control.
- calculate cost in telecommunication and electricity industry

OUTCOMES

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

- understand cost concepts, cost behaviours, cost flow and classification,
- understand and Evaluate material, labour, factory overhead costing and control,
- to analyse and calculate product cost under different costing systems i.e. process costing, job order costing, and service costing,
- understand difference between marginal costing and absorption costing.
- Understand concept of standard costing and application & usage of material, labour, overheads variances,
- Understand the documents used in telecommunication & electricity industry for compilation of cost data for calculation of accurate costs

INDICATIVE GRID

PART	SYLLABUS CONTENT AREA	WEIGHTAGE
A	THE NATURE, SOURCE AND PURPOSE OF MANAGEMENT INFORMATION	15%
	1 Concept and Scope of Cost Accounting	
	2 Introduction to Management Accounting	
B	COST ACCOUNTING SYSTEM	25%
	3 Cost Classification & Behaviour	
	4 Accounting for Materials	
C	COST ACCOUNTING TECHNIQUES AND METHODS	20%
	5 Accounting for Labour	
	6 Accounting for Overheads	
D	PROCESS COSTING	20%
	7 Absorption and Marginal Costing	
	8 Job, Batch and Service Costing	
E	INFORMATION FOR PLANNING AND CONTROL	20%
	9 Process Costing	
	10 Joint Products and by-Products	
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

THE NATURE, SOURCE AND PURPOSE OF MANAGEMENT INFORMATION

1. Concept and Scope of Cost Accounting

- Concepts of Cost
- Cost Centre & Responsibility Centre
- Cost Units and Cost Objectives
- Sources And Uses of Cost Data
- Costing Department and its relationship with other department
- Cost Accounting v/s Financial Accounting
- Role of Cost Accounting in a Management Information System

2. Introduction to Management Accounting

- Definition of management accounting
- The changing Role of Management Accounting
- Data and Information
- The Purpose of Management Information
- Sources and Categories of Information

- ICMA and its Role in Management Accounting

3. Cost Classification and Cost Behaviour

- Cost classification for control
- Total Product/Service Costs
- Direct Costs and Indirect Costs
- Functional Costs
- Fixed, Variable, semi-variable & Step fixed Cost
- Determining the Fixed and Variable Elements of Semi-Variable Costs
- Production and Non-Production Costs
- Cost Behaviour and Level of Activity
- Linear Equations and Graphs Activity
- Statement of Cost of Goods Manufactured and Sold

PART - B

COST ACCOUNTING SYSTEMS

4. Accounting for Materials

- Purpose & Methods of inventory control
- Ordering, Receipt and Issue of Raw Materials

- Storage of Raw Materials
- Inventory Control Levels
- Accounting for Material Costs
- Methods of Inventory Valuation
- Cost classification for inventory valuation and profit measurement
- Economic Order Quantity Model
- Accounting for defective, spoiled and waste material

5. Accounting for Labour

- Measuring Labour Activity
- Remuneration methods
- Recording Labour Costs
- Labour Turnover
- Accounting for Labour Costs
- Accounting for Payroll
- Wage Book

6. Accounting for Overheads

- Types of Overheads
- Overhead Allocation
- Overhead Apportionment
- Overhead Absorption
- Blanket Absorption Rates and Departmental Absorption Rates
- Reasons of and accounting for over and under absorption of overheads

PART - C

COST ACCOUNTING TECHNIQUES AND METHODS

7. Absorption and Marginal Costing

- Absorption Cost
- Marginal Cost and Marginal Costing
- Principle of Marginal Costing
- Calculation of Profit under marginal and absorption costing
- Reconciling of Profit
- Marginal Costing Versus Absorption Costing
- Marginal costing and breakeven analysis for single product
- Contribution margin to sales ratio (C/S Ratio)
- Break-even in units & value
- Margins of safety (M/S Ratios)
- Break-Even Graph

8. Job, Batch and Service costing

- Job Costing
- Batch Costing
- Service Costing
- Accounting for Spoiled/Defected /Waste Goods

PART - D

PROCESS COSTING

9. Process Costing

- The Basics of Process Costing
- Losses in Process Costing
- Treatment of normal loss, abnormal loss & abnormal gain
- Losses with Scrap Value
- Losses with Disposal Cost
- Valuing Closing Work in Progress
- Valuing opening Working in Process: FIFO & Weighted Average Cost Methods
- Accounting for Scrap, spoilage & rework
- Addition of units
- Treatment of transfer to other department
- Preparation of process account and all other relevant account
- Preparation of complete cost of production report

10. Joint Products and By-Products

- Joint Products and By- Products
- Dealing with Common Costs
- Joint Products in Process Accounts
- Accounting treatment of By- Products
- Methods of Allocation of joint cost
- Decision to sale by-product at the time of separation or by further process

PART - E

INFORMATION FOR PLANNING AND CONTROL

11. Standard costing

- Purpose of Using Standard Costing
- Preparation of Standards
- Uses of standard Costing
- Other aspects of Standard Costing
- Difference between budget & standard

12. Variance analysis

- Purpose of Variance Analysis
- Direct Material Variances
- Direct Labour Variances
- Variable Overhead Variances
- Fixed Overhead Variances
- Reasons for Cost Variances

13. Cost Accounting Records

- Telecommunication Industry
- Electricity Industry

TEACHING METHODOLOGY: The faculty is advised to teach the topics in the mode of case studies based on knowledge and application with practical approach.

RECOMMENDED BOOKS

CORE READINGS		
TITLE	AUTHOR	PUBLISHER
CIMA, UK Study Text	---	BPP
Relevant Study Text	---	Kaplan Publishing
Cost Accounting	Milton F. Usry / Lawrence Hammer / Adolph Matz	South Western / Thomson
Management and Cost Accounting	Colin Drury	
Hand outs for Cost Accounting Records	---	---
ADDITIONAL READING		
Managerial Accounting	Ray H. Garrison / Eric W. Noreen	McGraw-Hill
Management Accounting performance Evaluation	PBP	Professional Business Publications, Lahore.