

ACC 202: Cost and Management Accounting

BIM 4th Semester

Credits: 3

Lecture Hours: 48

Course Objectives

The objectives of the course are to provide the students with in-depth knowledge of cost and management accounting in order to enable them to develop, arrange and classify cost information required for decision making for maximizing the profit. The course further aims at developing a sound base for higher study in accounting besides in practical knowledge required by the middle level managers to handle cost information independently.

Course Description

This course contains conceptual and theoretical foundation of cost and management accounting ; It also comprises classification and segregation of cost, accounting for material and labour, allocation, apportionment and absorption of overhead cost, costing in different situations such as service costing, income statement under variable and absorption costing techniques, standard costing system with material and labour cost variance, flexible budgeting under different levels of activities, overhead cost variance and functional budgeting.

Course Details

Unit 1: Conceptual Foundation

2 LHs

Cost accounting and management accounting; Meaning, objectives, advantages and limitations of cost and management accounting; Limitations of financial accounting; Similarities and dissimilarities in financial, cost and management accounting

Unit 2: Cost Concept and Cost Classification

4 LHs

Concept, importance and classification of cost: basic concept of cost and expense; cost classification: based on function, behavior, controllability, decision making, time of recording, planning and control, period and product cost;
Cost segregation and estimation: concept and methods of cost segregation: i) Two point method ii) Least square method and iii) Estimation of cost

Unit 3: Accounting for Materials

4 LHs

Materials/Inventory: Concept, reasons and objectives for holding material/inventory. Inventory control: Meaning, importance and techniques; Economic order quantity: concept, techniques, formula and trial & error approaches-considering discount under certainty condition; Re-order level, maximum stock level, minimum stock level, average stock level, danger level and safety stock; Concept and techniques of perpetual inventory system; Stock control through ABC analysis and just in time inventory: concept, advantages and limitations.

Unit 4: Accounting for Labour Cost**3 LHs**

Labour Cost: Concept and need for control of labour cost; Remuneration without premium plan: Features of good remuneration system, time and piece wage system; Remuneration with premium Plan: Features of premium plan, premium bonus scheme- Halsey and Rowan Plan, Taylor's Differential Piece Rate, Gant's Task and Bonus Plan.

Unit 5: Accounting for Overhead Cost**5 LHs**

Overhead Cost: Meaning, features, importance and classification; Apportionment and absorption of overhead: meaning and importance; apportionment and absorption of overhead cost based on volume, direct labour hours and direct machine hours.

Unit 6: Costing in Service Sectors**6 LHs**

Service Costing: Concept, features and scope of service costing; Preparation of cost sheet for transport service for passenger, hospital, hotel and restaurant services, limitations of service costing.

Unit 7: Accounting for Profit Planning**8 LHs**

Variable Costing and Absorption Costing: Concept, features, importance and preparation of income statement under variable costing and absorption costing; Over and under absorption of fixed manufacturing overhead and adjustment; Limitations of variable costing and absorption costing; Reconciliation of profit or loss between absorption and variable costing techniques showing the causes of differences.

Cost Volume Profit Analysis: Meaning, importance; assumptions and limitations of CVP analysis; Contribution margin or ratio, profit volume ratio; Break even analysis using contribution margin, algebraic approaches; Break-even-analysis: under various situations: changes on selling price, fixed cost, variable cost, multi-products situations, margin of safety and determination of selling price to realize desired profit ; Advantages and limitations of break even analysis.

Unit 8: Cost Accounting for Planning and Control**12 LHs**

Standard Costing: Concept of standard cost and standard costing, features, application, advantages and limitations; Difference between standard and budget.

Variance Analysis; Material variances: Concept and calculation of cost, price, usage, mix and yield variances; Labour variances: Concept and calculation of cost, efficiency, rate, mix, idle time and yield variances.

Overhead Cost Variance: Concept and calculation of capacity, efficiency and spending variances.

Budget: concept, features and importance of budget; Types of budget: sales budget, production budget, material budget & merchandize purchase budget, labour budget, manufacturing overhead budget, cost of goods manufactured budget, selling/distribution & administrative expenses budget and cost of goods sold budget.

Fixed and Flexible Budgeting: Concept and importance of fixed and flexible budgets; Difference between fixed and flexible budgets; Flexible budgeting for overhead cost control on activity levels and budget allowance for actual level attained.

Unit 9: Short term Decision Making

4 LHs

Concept, need and objectives of short term decisions in business; Cost concept in decision making: Relevant and irrelevant costs, avoidable and unavoidable costs, opportunity cost; Types of decisions: Drop or Continue, Special Offer/Order and Make or Buy

Suggested Readings

Atkinson, A. A., Kaplan, R. S., Matsumura, E.M., Young, S.M & Kumar, G. A. (2012).

Management Accounting /6e. New Delhi: Pearson Education Pvt. Ltd.

Garrison, R. H. & Noreen, E. W. (2017). *Managerial Accounting* McGraw-Hill Companies, Inc.

Lynch , R.M. & Williamson, R.W. *Accounting for Management Planning & Control*, Tata McGraw Hill Co.

Pillai, R.S.N. & Bagavathi (2017). *Cost Accounting* New Delhi: S. Chand and Company Ltd.