

## SEMESTER-3

### MA-303 - FUNDAMENTALS OF COST & MANAGEMENT ACCOUNTING

#### Introduction

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

#### Objectives

The objective of this course is to provide the students with an appropriate knowledge of Cost and Management Accounting enabling them to:

- apply cost methods and techniques for preparing and presenting information for decision-making and cost control, and

- prepare standard costs and variances.

#### Outcomes

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

- understand cost concepts, objectives, scope, cost flow and classification,
- prepare cost of production report and cost statement under process cost accounting system and job order costing system, respectively,
- understand and explain material, labour, factory overhead costing and control,
- calculate and interpret material, labour, overheads variances,

#### INDICATIVE GRID

SECTION	SYLLABUS CONTENTS	WEIGHTAGE
A	<b>Introduction</b> 1. Concept and Scope of Cost Accounting 2. Cost Classification and Flows	20%
B	<b>Direct and Indirect Costing</b> 3. Material Costing and Control 4. Costing and Control 5. Factory Overhead Costing and Control 6. Types of Costing Systems	50%
C	<b>Information for Planning And Control</b> 7. Setting of Standards for Costing 8. Break-even analysis	30%
<b>TOTAL</b>		<b>100%</b>

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

#### CONTENTS

##### SECTION-A

##### INTRODUCTION

##### 1. Concepts and Scope of Cost Accounting

Definition and concept of cost, Cost object, Cost elements, Sources and uses of cost data, Cost accounting v/s financial accounting, Costing department and its relationship with other departments, Role of cost accounting in a management information system, Uses of cost data.

##### 2. Cost Classification and Flows

Direct and indirect cost, Product and period cost, Controllable and uncontrollable cost, Fixed and variable cost, Semi-variable and step fixed cost, Cost flow, Statement of cost of goods manufactured and sold.

##### SECTION-B

##### DIRECT COSTING

##### 3. Material Costing and Control

Procedure of material procurement, Two-bin system, The use of FIFO, weighted average for material, valuation and the pricing for material issue, Stock taking and perpetual inventory, Treatment of differences between physical and book stock, Economic order quantity, Effect of quantity discount on EOQ, Reorder level, safety stock and maximum stock, ABC Control.

##### 4. Labour Costing and Control

Direct and indirect labour, Productivity and efficiency, Remuneration methods, Straight piece rate and differential piece rate, Incentive wage plan, Group bonus, Time sheet and job cards, Overtime and idle time, Payroll, Labour turnover rate.

##### 5. Factory Overhead Costing and Control

Classification and collection of overhead, Predetermined overhead applied rate, Factory overhead cost: planned, applied and actual, Over and under applied factory overhead and its disposal, Departmentalisation of overhead, Allocation, apportionment and reapportionment of overhead costs, Repeated distribution and algebraic method for reciprocal, service department costs.

##### COSTING SYSTEMS

##### 6. Types of Costing Systems

Establishment of cost accounting system, Principles of double entry system of costing, Integrated and interlocking cost accounts, Chart of account and coding for costing, Introduction to process costing, Incomplete

process and concept of equivalent units, Format of process account and cost of production report, Job order costing, Operation / service costing.

## SECTION-C

### INFORMATION FOR PLANNING AND CONTROL

#### 7. Setting of Standards for Costing

Basic concept of standard costing, Preparation of standard cost, types of production capacities, Material

price and usage variances, Labour rate and efficiency variances, Variable overhead expenditure and efficiency variances, Fixed overhead budget and volume variances.

#### 8. Marginal Costing and Break-even Analysis

Marginal cost and contribution margin, Contribution margin to sales ratio (C/S ratio), Break-even in units and value, Margin of safety ratio (M/S ratio), Break-even graph.

### RECOMMENDED BOOKS

CORE READING		
TITLE	AUTHOR	PUBLISHER
Cost Accounting	T. Lucy	DP Publications, Aldyne Place, 142-144 Uxbridge Road, Shepherds Bush Green, London W12 8AW.
Management and Cost Accounting	Colin Drury	Thomson Learning, High Holborn House, 50-51 Bedford Row, London
Cost Accounting – Planning and Control	Adolph Matz & Milton F. Usry	