

SEMESTER -III

CC 301	Cost and Management Accounting	4L:0T:0P	4 Credits
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Course Description:

This course covers the fundamental concepts and various aspects in Cost as well as Management accounting. This course discusses how to prepare a cost sheet, costing for materials, labour cost and overheads. This course also talks about financial statement analysis using various tools like comparative and common size Income Statements and Balance Sheet, Trend Analysis, Ratio Analysis, Cash Flow Statement, Budgets and Budgetary Control. It also throws some light on Management Reporting in general. And thus this course as a part of the Business administration programme provides fundamental knowledge and basic understanding on various methods, tools and techniques of cost and management accounting helpful for financial decision making required for a budding professional in the domain of accounting and finance.

Course Objectives:

1. To familiarize the learners with the basic concepts and processes used to determine product costs and ascertain Material, Labour and Overhead cost.
2. To enrich the knowledge of the learners in knowing and applying various tools like ratio analysis, cash flow statement, marginal costing for analysing the financial statements for managerial information
3. To provide with the basic understanding of budgetary control
4. To develop the knowledge of the learners to understand and prepare a management report.

Course Content:

Unit-I: Introduction to Cost and management accounting

Definitions, features, objectives, functions, scope, advantages and limitations. Relationship and differences between Cost accounting, Management accounting and Financial Accounting. Cost Concepts-Cost classification – Elements of cost - Preparation of cost sheet and quotation. Material cost- direct and indirect material cost, Inventory control techniques-stock levels, EOQ, ABC analysis. Issue of materials to production-pricing methods-FIFO, LIFO and Average methods. Labor cost: direct and indirect labour cost-methods of payment of wages including incentive plans -Halsey and Rowan plans, Tailors Piece Rate method. Overheads: features, classification, methods of allocation and apportionment of overheads, primary and secondary distributions.

Unit II: Marginal Costing and Budgetary control

Marginal Costing-Meaning - Importance - Marginal Cost Equation - Difference between Marginal costing and Absorption costing - Break Even Analysis-Meaning and

Importance - Break even chart- P/V ratio - Cost Volume Profit Analysis- Margin of Safety-Angle of Incidence- Problems in Marginal costing. Budgets - Meaning and importance - Budgetary Control-Meaning and Importance-Types of Budgets, practical problems - Flexible Budget and cash Budget,

Unit-III: Financial Statement Analysis

Comparative Income Statements and Balance Sheets- Common Size Income Statements and Balance Sheet analysis- Trend Analysis. Ratio Analysis – Introduction, Classification & Interpretation of Ratios-Liquidity ratios, Solvency ratios, Proprietary ratios, Profitability ratios, Leverage ratios and Turnover ratios.

Unit-IV: Cash flow statement and Management Reporting

Introduction- Concept of Cash- Sources of cash flow Cash from operation- cash from Financing and cash from investment- Inflow and outflow of cash- Preparation of cash flow statements with adjustments.

Management Reporting – Meaning and Definitions of reports- Objectives and Purpose- Reports to top level management – Reports to lower level management- Sample Reports

Readings:

Text Books (Latest Edition):

- Arora, M. N. Cost and Management Accounting, New Delhi: Himalaya Publishing House.
- Jain, S.P., & Narang, K.L. Cost Accounting. Principles and Practice, New Delhi: Kalyani Publishers.
- Kishor, R.M. Cost and Management Accounting. New Delhi: Taxman Allied Services.
- Pillai, R.S.N, Bagavathi, V., Cost Accounting. New Delhi: Sultan Chand.
- Arora, M.N. Management Accounting, New Delhi: Himalaya Publishing House
- Lal, J. Srivastav, Seema., Singh, Manisha. Cost Accounting: Test, Problems and Cases, New Delhi: Tata McGraw Hill Education

Course Outcomes:

On having completed this course student should be able to:

1. Interpret the relevant theories of cost and management accounting and prepare Cost sheet and quotations.
2. Ascertain Material and Labor cost, allocation and apportionment of overheads.
3. Interpret the financial statements for managerial decision making and preparation of management reports
