

ACC 256 Advance Cost and Management Accounting

Course: Concentration

Full Marks: 100

LHs: 150

Pass Marks: 35

Course Objectives:

This course is designed to familiarize the students to the basic concept of Advance Cost and Management Accounting. After completion of the course, students will be able to understand cost and management accounting information and analysis of the different situation of the business. Similarly, students will be able to take decisions after analyzing the different issues of the organizations.

Course Description

This course will enable students to understand the concept, tools and techniques of cost & management accounting. It covers fundamental of accounting, cost management and its techniques, activity based costing, cost-volume-profit analysis, planning, standard costing, responsibility accounting, master budgeting and decision making analysis etc.

Contents

Unit 1: Fundamental of Accounting

6 LHs

Concept, objectives, functions, scope and limitations of Cost and Management Accounting; Management Accounting versus Financial Accounting versus Cost Accounting. Users of accounting information; Professional ethics and social responsibility; Role of Cost and Management Accounting in decision-making.

Unit 2: Cost Behavior Analysis

8 LHs

Cost concept and classification; Segregation of semi-variable cost using two point method and regression method; Measurement of correlation, coefficient of determination, testing of significance with 't' value.

Unit 3: Accounting for Overhead Cost

12 LHs

Overhead cost distribution: Concept, primary & secondary distribution of overhead cost under direct method, Repeated distribution method, simultaneous equation method; Concept and ascertainment of total cost and profit under Traditional Costing Technique, limitations of Traditional Costing System; Activity Based costing: Concept, ascertainment of cost and profit under ABC technique, benefits and limitations of Activity Based Costing system. Relationship between Traditional and Activity Based Costing.

Unit 4: Income Measurement and Reporting

10 LHs

Income measurement under Variable and Absorption Costing; Causes of differences; Effect of inventories of work in progress and finished stock; Effect of FIFO and LIFO; Standard costs, actual costs and income statements; Income statements under uncertainty

Unit 5: Cost Volume Profit Analysis

12 LHs

Concept, objectives, assumptions, limitations and techniques of Cost Volume Profit Analysis; Application of cost-volume-profit for breakeven analysis and profit planning for single and multiple products; Cost-volume-profit analysis under resource constraints: Allocation of single resource constraint, Allocation of multiple resource constraints using linear programming model

Unit 6: Short term Decision Making

10 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, incremental cost and sunk cost; Types of decisions: Drop or Continue, Special Offer/Order and Make or Buy

Unit 7: Budgeting and Controlling of Profit

30 LHs

Concepts, objectives and importance of budgeting; Types of budget: Sales Budget, Production Budget, Material Budget, Merchandise Purchase Budget, Direct Labour Budget, Manufacturing Cost Budget, Selling and Administrative Budget, Cash Budget, Budgeted Income Statement and Balance Sheet. Preparation of Master Budget for manufacturing and non-manufacturing organizations.

Concept, significance and applications of Standard Costing; Types of Standards; Installation of Standard Costing System for Material, Labour, and Overhead; Variance Analysis for Materials and Labour; Accounting Treatment of Variances under certain and uncertain situations.

Unit 8: Flexible Budget and Performance Analysis

10 LHs

Concept, need and characteristics of a flexible budget; Limitations of the Static Budget; Overhead variances: Capacity Variance, Efficiency Variance and Spending Variance; Performance reporting

Unit 9: Performance Measurement in Decentralization Organization

10 LHs

Decentralization in organizations: Concept, merits and demerits of decentralization; Responsibility accounting: meaning, principles and benefits; Implementation process; Responsibility Centre of Controls: Cost Centre, Revenue Centre, Profit Centre and Investment Centers.

Unit 10: Capital Budgeting

22 LHs

Concept, importance and need of Capital Budgeting; Types of investment proposals: Mutually Related Project, Mutually Exclusive Project, New Project, Replacement; Estimation of Cash Outflow: Net investment of new project, differential net investment for replacement and mutually exclusive projects; Annual Net Cash Inflow: Differential net cash flow for replacement of assets and net cash flow for new project; Net cash flow for final year; Methods of evaluation of investment proposal: Non-discounted Cash Flow Method: Payback Period and discounted Payback Period; Discounted Cash Flow Method: Net Present Value, Profitability Index, Internal Rate of Return; Decision regarding selection of project based on profitability

Unit 11: Advance Cost Management Techniques

10 LHs

Need for cost management; Cost control and cost reduction; Balance Scorecard, Total Quality Management, Just in Time(JIT), Supply Chain Management, Enterprise Resource planning (ERP), Theory of Constraints, Bench Marking, Business Process Re-engineering, Management Control System,

Project Work

10 LHs

After the completion of fourth year concentration classes the students shall have to prepare and submit a project work in the area they have specialized. The subject teachers have to discuss with students on possible topics of the project work, availability and sources of literature, availability of data, data collection methods, appropriate tools of data analysis etc.

Suggested Books

Garrison, R.H., Noreen, E.W. & Brewer, P.C., (2017) *Managerial Accounting*, New Delhi:

McGraw-Hill Companies, Inc.

Lal, J., (2013). *Cost Accounting*, New Delhi: Tata McGraw Hill Co.

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

Ltd.

Kishore, M. R. (2016). *Cost and Management Accounting*, New Delhi: Taxmann Allied Services

Pvt. Ltd.