

COURSE TITLE	MANAGEMENT & COST ACCOUNTING
COURSE CODE	05FN0201
COURSE CREDITS	4

Objective:

- 1 To impart a thorough understanding of how to measure of cost and different types of cost.
- 2 To impart a thorough understanding of Process Costing with its practical.
- 3 To impart a thorough understanding of Marginal Costing with BEP Analysis.
- 4 To impart a thorough understanding of different types of Budget and concept of Budgetary Control.
- 5 To evaluate how management account is differed from financial account.

Course Outcomes: After completion of this course, student will be able to:

- 1 Students can enhance their understanding, they will learn fundamental cost concepts and terminology, including direct costs, indirect costs, fixed costs, variable costs, marginal costs, and relevant costs, enabling them to accurately classify and analyse costs in various business contexts.
- 2 Students can embelin their comprehension, students will learn about process costing and job costing, discerning the difference between them, followed by an exploration of process costing concepts through practical applications involving normal and abnormal losses and gains, and they will also delve into the concept of activity-based costing.
- 3 Students can incorporate practical applications, the course covers marginal costing and its determination, cost-volume profit relationship including the concept of PV ratio and break-even point illustrated with diagrams, alongside decision-making concepts with practical examples.
- 4 Students can enhance planning and control, the course elucidates the budget as a key tool, encompassing explanations of budgetary control with its advantages, the concept of cash budget alongside practical applications, and analysis of variances including material, price, and sales variances.
- 5 Student can enhance comprehension and practical application of costing and management accounting techniques for decision-making and control, discerning the disparity between cost accounting and management accounting, and grasping the decision-making processes of manufacturing concerns.

Pre-requisite of course:Basic Knowledge of Costing

Teaching and Examination Scheme

Theory Hours	Tutorial Hours	Practical Hours	ESE	IA	CSE	Viva	Term Work
3	0	2	50	30	20	25	25

Contents : Unit	Topics	Contact Hours
1	Measurement of Cost Element - Introduction about the block & Explain Management Account & Financial Accounting with difference , Explain Cost and different types of cost. Material Cost & its valuation. FIFO & LIFE (with Practical), , - Explain Overhead & its classification, Allocation & Apportionment of Overhead , – Practical, Overhead absorption & Departmentalization of Expense , – Practical, Overhead Absorption Rate & Cost Sheet.	11
2	Process Costing & Activity Based Costing: - Introduction of Block & Explain Process Costing, Job Costing & difference between them , Process Costing – Practical, Process Costing – Practical with Normal Loss & Normal Gain, Process Costing – Practical with Abnormal Loss & Abnormal Gain , - Joint Product & By Product – Theory, Activity Based Costing – Introduction – ABC for Service Industry	11
3	Planning & Decision Making - Explain Marginal Costing & Its determination , - Cost-Volume Profit Relationship – Practical, PV Ratio- Practical, Break-Even Point (with diagram) & Its Uses & application , - Decision Making – with Practical	11
4	Budgetary Control - Explain Budget as a key to Planning & Control , - Explain Budgetary Control with its Advantages , - Explain different types of Budgets with examples, Cash Budget with practical , - Analysis of Variances. Explain Material, Price & Sales Variances	12
Total Hours		45

Suggested List of Experiments:

Contents : Unit	Topics	Contact Hours
1	Unit 1 A fan manufacturing Company incurred the following expenses on the manufacture of 1,000 fans in January, 2022. Particulars Rs. Material Used 80,000/- Direct Wages 70,000/- Direct Expenses 20,000/- Factory Overheads 60,000/- Office Expenses on Cost 30,000/- Selling & Distribution Expenses 40,000/- Sales 4,00,000/- Prepare cost sheet showing total cost of production and cost per unit for January, 2022. 2) The following figures relate to the production of blankets for March, 2021. Material Used Rs. 80,000/- Direct Labor Rs. 48,000/- Machine Worked Hour 8,000 Machine Hour Rate Rs. 4/- Office Expenses on Cost = 10% of factory expenses on cost Selling Expenses Rs. 1.50 per unit Manufacture units = 4000 Sold units = 3,600 at Rs. 50 each Prepare a cost sheet showing: i) Cost per unit ii) Profit 3) Define Cost and also explain different types of Cost. 4) Explain difference between Management Accounting and Financial Accounting. 5) Calculate the Minimum Stock Level, Maximum Stock Level, Reordering Level and Average Stock Level from the following information: Minimum	15

Consumption 200 units per day Maximum Consumption 300 units per day Normal Consumption 240 units per day Reorder Period 10-15 days Reorder Quantity 3,000 units Normal Reorder Period 12 days

6) A manufacturer buys certain equipment from outside suppliers @Rs. 30 per unit. Total annual need are 800 units. Other complementary date is available as under- Annual return on investment 10% Rent, insurance, Taxes per unit per year Rs. 1/- Cost of placing an order Rs. 100/- Determine the economic order quantity.

7) A product passes through three processes to completion. During January, 1000 units are produced. The following information is available: Direct Costs Process 1 (Rs.) Process 2 (Rs.) Process 3 (Rs.) Direct Material 45,000 21,000 16,000 Direct Labour 32,000 18,000 20,000 Direct Expenses 7,000 2,000 6,000 The indirect exp for the period amounting to Rs. 21,000/- are to be apportioned to the processes on the basis of wages. There was no work in progress at the beginning or at the end of the period. You are required to prepare all the process accounts and finished stock account for the month of January.

8) Explain By Product & Joint Product.

9) Normal Loss The cost of production of 200 units is Rs. 2,800 as follows: Materials Rs. 1,500, Labour Rs. 1,000: and the overheads Rs. 300. The normal wastage comprising of scrap is 10% and it is sold @ Rs. 5 per unit. Find out the cost of the remaining units and show the process account. Normal Wastage-Loss in weight and sale of scrap

The Bengal Chemical Corporation Limited produced three chemicals during the month of July 1975 by three consecutive processes. In each process 2% of the total weight put in is lost and 10% is scrap which from Process (1) and (2) realizes Rs. 100 a ton and from Process (3) Rs. 20 a ton. Particulars Process I Process II Process III Passed to next Process 75% 50% - Stock kept for sale 25% 50% 100% Expense Incurred Rs. Process I Tons Rs. Process II Tons Rs. Process III Tons Raw Mat 1,20,000 1,000 28,000 140 1,07,840 1,348 Manufacturing Wages 20,500 - 18,520 - 15,000 - General Expenses 10,300 - 7,240 - 3,100 - Prepare Process Cost Account, showing the cost per ton of each product.

10) Abnormal Loss The cost records show the following expenses of manufacturing 200 units of Product X in a process: Particulars Rs. Material 4,000 Labour 1,500 Overheads 500 The standard normal wastage in production is 10%, and it can be sold in the market at Rs. 15 per unit. The actual production is 150 units due to gross carelessness of the workers. Show the treatment of wastage in the Process Account, and Prepare Abnormal Wastage Account.

11) Abnormal Gains The Cost records show the following costs of producing 200 units of a product in a process: Particulars Rs. Materials 4,000 Labour 1,500 Overheads 500 The normal wastage is 10% of the units, and this wastage can be sold in the market at Rs. 15 per unit. The actual production was 190 units. Prepare Process Account and abnormal effectiveness account.

2	<p>Unit 2</p> <p>1) Explain BEP. (Break Even Point) 2) Calculate ‘per unit’ and ‘total’ contribution. Sales (in Rs.) Rs.40,000/- Sales (in units) 4,000 Variable Cost Rs. 30,000/- 3) Calculate Contribution from the following data: (a) Sales Rs. 1,50,000/-, P/V Ratio = 40% (b) Fixed Cost Rs. 40,000/-, Profit = Rs. 30,000/- (c) Fixed Cost Rs. 50,000/-, Loss = Rs. 20,000/- 4) Calculate P/V Ratio from the following data. (a) Year Sales Rs. Profit Rs. 2013-14 1,00,000/- 30,000/- 2014-15 2,00,000/- 70,000/- (b) Year Sales Rs. Profit or Loss Rs. 2013-14 1,00,000/- (10,000) 2014-15 2,00,000/- 20,000/- © Year Sales Rs. Cost Rs. 2013-14 2,00,000/- 1,40,000/- 2014-15 4,00,000/- 2,40,000/- (d) Year Cost Rs. Profit Rs. 2013-14 4,50,000/- 50,000/- 2014-15 6,00,000/- 1,00,000/- 5) Calculate BEP in units and rupees from the following: a) Units Produced 10,000 Fixed Cost Rs. 40,000/- Selling Price Rs. 50 p.u. Variable Cost Rs. 30 p.u. b) Calculate BEP Fixed Cost Rs. 5,00,000/- Variable Cost Rs. 2 p.u. Selling Price Rs. 4 p.u. 6) Ascertain BEP and Margin of Safety from the following information: (a) Fixed Cost = Rs. 1,50,000/-, Variable Cost Rs. 2,00,000/-, Profit Rs. 1,50,000/- (b) Fixed Cost= Rs. 36,000/-, Variable Cost Ratio = 70% 7) Explain Budget in Detail. 8) The Estimated monthly sales for a company is as follows: Months Feb. March April May June Rs. 90,000 96,000 54,000 87,000 63,000 If 50% of sales are released in the next month and balance in the next of next month, what would be the cash collection from sales in April, May, June? 9) From the following budgeted data, prepare a Cash Budget in respect of three months ending 31st March, 2018. Months Sales Purchases Wages Overheads Rs. Rs. Rs. Rs. October, 2018 30000 20000 5500 3100 November 28000 24000 5800 3300 December 32000 25000 6000 3400 January, 2019 40000 28000 6200 3600 February 42000 31000 6500 4300 March 38000 25000 7000 4300 Expected Cash Balance on 1st January, 2019 is Rs. 10,000. Other information are as follows: i) Purchases and overheads are to be paid during the month following the month of supply. ii) Wages are to be paid during the month in which they are incurred. iii) The terms of credit sales are payment by the end of the month following the month of sales, ½ of the sales are paid when due, the other half to be paid during the next month. 5% sales commission is to be paid within the month following the actual sales. iv) Equity shares call money of Rs. 10,000/- is due on 1st February, 2019. v) Plant & Machinery costing Rs. 10,000/- is to be installed in the month of October, 2018 and the payment is to be made in the month of February, 2019. 10) The monthly budgets for manufacturing overhead of a concern for two levels of activity were as follows: Capacity 60% 100% Budgeted Production (Units) 600 1,000 Rs. Rs. Wages 1,200 2,000 Consumable Stores 900 1500 Maintenance 1100 1500 Power & Fuel 1600 2000 Depreciation 4000 4000 Insurance 1000 1000 Total 9800 12000 You are required to: i) Indicate which of the items are fixed, variable and semi-variable. ii) Prepare a budget for 80% capacity and iii) Find the total manufacturing overhead per unit of output at 60%, 80% and 100% capacity. 11) Explain Budgetary Control in Detail. 12) Explain Difference between Fixed Budget & Flexible Budget.</p>	15
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Textbook :

- 1 Management Accounting: Text, Problems and Cases, M. N. Arora, Vikas Publishing House, 2020

References:

- 1 Cost Accounting: A Managerial Emphasis, Cost Accounting: A Managerial Emphasis, Charles T. Horngren, Srikant M. Datar, and Madhav V. Rajan, Pearson., 2019
- 2 Management and Cost Accounting, Management and Cost Accounting, Colin Drury, Cengage Learning EMEA, 2018
- 3 Cost Accounting: Foundations and Evolutions, Cost Accounting: Foundations and Evolutions, Michael R. Kinney and Cecily A. Raiborn, Cengage Learning, 1990
- 4 Cost Management: Strategies for Business Decisions, Cost Management: Strategies for Business Decisions, Ronald W. Hilton and Michael W. Maher, McGraw-Hill Education, 2019

Suggested Theory Distribution:

The suggested theory distribution as per Bloom's taxonomy is as follows. This distribution serves as guidelines for teachers and students to achieve effective teaching-learning process

Distribution of Theory for course delivery

Remember / Knowledge	Understand	Apply	Analyze	Evaluate	Higher order Thinking / Creative
20.00	30.00	25.00	15.00	10.00	0.00

Instructional Method:

- 1 PPT
- 2 Board Work
- 3 Demo

Supplementary Resources:

- 1 <https://www.investopedia.com/terms/c/cost-accounting.asp>
- 2 <https://www.accountingtools.com/articles/what-are-the-functions-of-managerial-accounting.html>