

HAILEY COLLEGE OF COMMERCE
UNIVERSITY OF THE PUNJAB, LAHORE

Course Title: Fundamentals of Cost Accounting

Proposed Course Code: BSAF-204

Program: BS Accounting and Finance

Credit Hours: 03

Semester: 03

Course Objectives:

This course provides basic understanding of cost account and its application to business enterprise. This course lays foundation of cost systems and helps student understand various cost account concepts and techniques in business decision making process.

Prerequisites:

1	Accounting 1
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Text Books

1	CAF – 8 Cost and Management Accounting – Study Text by ICAP
2	Managerial Accounting, 12th edition, Garrison, Noreen, & Brewer, McGraw Hill.
3	Cost and Management Accounting by Colin Drury
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Teaching Methods: Lectures, discussions, presentations, quiz & assignments

Lecture Plan

Week	Contents	Learning Outcomes
1	<ul style="list-style-type: none">- Cost Accounting and Business Environment- Cost Terms, concepts, and classifications	<ul style="list-style-type: none">- Understanding difference between cost accounting and financial accounting, role

		<ul style="list-style-type: none"> - Understanding their basic manufacturing cost categories with examples: Material, labour, factory overhead - Understanding product and period cost, fixed cost and variable cost, direct and indirect cost, differential cost, opportunity cost, sunk cost and their relevance - Calculating cost of goods sold in an income statement - Preparing schedule for cost of goods manufactured
2	Basis of valuation – FIFO, weighted average, lower of cost and net realizable value	<ul style="list-style-type: none"> - Learning to apply inventory valuation methods in simple scenarios and assessment of their suitability to different scenarios - Comparing inventory valuation under different methods - Calculating NRVs of inventories in given scenario
3	EOQ, Safety stock, Re order level	<ul style="list-style-type: none"> - Understanding usability and application of EOQ and its calculation - Understanding safety stock, reasons to maintain it, and its calculation - Understanding reorder level, objectives to set up reorder level and its calculation
4	<ul style="list-style-type: none"> - Manufacturing Expenses – Actual and applied - Over or under absorption of overheads 	<ul style="list-style-type: none"> - Understanding and identification of manufacturing expenses with examples - Comparing manufacturing cost with selling and administrative costs - Understanding and calculating actual and applied overheads - Calculating actual and absorbed overheads from provided data

- Analyzing over and under absorption of overheads in terms of expenditure and volume variance
 - Accounting for over or under absorption of overheads
 - Identification of production and service facility in manufacturing facility and analyzing their costs
 - Explaining basis of allocation of cost of service department to production department
 - Allocating costs to production and service department using information provided
 - Allocating costs of service departments to production department using information provided
 - Discussing productivity and efficiency measurement in relation to controlling labor costs
 - Explaining concept of remuneration systems, incentive wage plans, and their types
 - Learning to record labor cost
 - Explaining impact of learning curve theory on productivity of employees
- 5 - Production and service department
 - Apportionment, allocation and absorption of service department, overheads to production
- 6 Labor costing
- 7 Costing Systems: Marginal Costing
- Explaining and applying marginal costing and understanding its role in decision making
 - Explaining and applying absorption costing and understanding its role in decision making
- 8 Costing Systems: Absorption costing
- Comparison of marginal and absorption costing and learning to reconcile

		differences in profits in two systems
9	Manufacturing cost accounting cycle	<ul style="list-style-type: none"> - Explaining flow of cost in production process using examples - Learning to pass accounting entries for flow of cost
10 & 11	Job order costing	<ul style="list-style-type: none"> - Learning to describe job order costing - Calculating cost of job and inventories by application of job order costing - Learning to pass accounting entries under job order costing system
12 & 13	Process costing	<ul style="list-style-type: none"> - Learning to describe process costing - Understanding treatment of normal/ abnormal loss/ gain - Calculating cost of product and inventories using process costing - Learning to pass accounting entries under job process costing system - Learning to account for cost of rework, units added in subsequent departments, N.R.V. of by-product in process account
14	Treatment of joint and by-product	<ul style="list-style-type: none"> - Understanding joint and by product using examples - Allocation of joint production costs using sales values, physical units, average units, and weighted average methods - Learning to account for by products using recognition of gross revenue, recognition of net revenue, and replacement cost approaches
15	Cost of service rendered	<ul style="list-style-type: none"> - Explaining how departmentalization in a service organization helps in cost planning and control - Learning to calculate cost of services rendered by a service organization
16	Revision and Makeup	