HAILEY COLLEGE OF COMMERCE

UNIVERSITY OF THE PUNJAB, LAHORE

Course Title: Cost and Management Accounting

Course Code: BEC-204 Credit Hours: 03

Program: BS E-Commerce Semester: 03

1.0 Introduction of the Course (100-150 words)

The Course deals with examining Cost Accounting as a tool for providing information for manufacturing, internal reporting, external reporting as well as for managerial decision making. The broad course objectives are to help students to understand the central concepts of Cost Accounting, the methods of conducting data analysis preparation of reports for managerial decision making.

2.0 Pre-Requisites Course (s) or Other Requirements/Skills:

BEC-123 Financial Accounting II

4.0 Course Learning Outcomes

1. Understanding of cost account and its application to business enterprise.
2. Learning to use cost systems
3. Understand various cost account concepts and techniques in business decision making process.

5.0 Course Contents

Unit-I: Introduction

1.1 Cost accounting – Nature, scope and application

1.2 Cost Accounting and Business Environment

1.3 Cost Terms, concepts, and classifications

1.4 Difference between cost accounting and financial accounting, role of cost accounting in an organization

1.5 Understanding there basic manufacturing cost categories with examples: Material, labour, factory overhead

1.6 Understanding product and period cost, fixed cost and variable cost, direct and indirect cost, differential cost, opportunity cost, sunk cost and their relevance

1.7 Calculating cost of goods sold in an income statement

1.8 Preparing schedule for cost of goods manufactured

Unit-II: Inventory and stocks

2.1 Valuation of inventory and stock – FIFO, LIFO, weighted average, lower of cost and net realizable value

2.2 Application of inventory valuation methods in simple scenarios

2.3 Comparing inventory valuation under different methods

2.4 Calculating NRVs of inventories in given scenario
2.5 Usability and application of EOQ and its calculation
2.6 Safety stock, reasons to maintain it, and it calculation
2.7 Reorder level, objectives to set up reorder level and its calculation

Unit-III: Variance Analysis

3.1 Manufacturing Expenses – Actual and applied
3.2 Over or under absorption of overheads
3.3 Identification of manufacturing expenses with examples
3.4 Manufacturing cost with selling and administrative costs
3.5 Calculating actual and applied overheads
3.6 Actual and absorbed overheads from provided data
3.7 Over and under absorption of overheads in terms of expenditure and volume variance
3.8 Accounting for over or under absorption of overheads

Unit-IV: Production and Services Department

1.1 Apportionment, allocation and absorption of service department, overheads to production
1.2 Production and service facility in manufacturing facility and analyzing their costs
1.3 Basis of allocation of cost of service department to production department
1.4 Allocating costs to production and service department using information provided
1.5 Allocating costs of service departments to production department using information provided

Unit-V Labor Costing

5.1 Productivity and efficiency measurement in relation to controlling labor cost
5.2 Remuneration systems, incentive wage plans, and their types
5.3 Recording labor cost
5.4 Impact of learning curve theory on productivity of employees

Unit-VI: Manufacturing Cost Accounting Cycle

6.1 Flow of cost in production process using examples
6.2 Accounting entries for flow of cost

Unit-VII: Job Order Costing

7.1 Job order costing – application and suitability
7.2 Calculating cost of job and inventories by application of job order costing
7.3 Accounting entries under job order costing system

Unit-VIII: Process Costing

8.1 Process costing – application and suitability
8.2 Treatment of normal/ abnormal loss/ gain
8.3 Cost of product and inventories using process costing
8.4 Accounting entries under job process costing system
8.5 Account for cost of rework, units added in subsequent departments, N.R.V. of by-product in process account

Unit-IX: Costing Systems

9.1 Marginal costing – Basics, application, pros and cons
9.2 Absorption costing – Basics, application, pros and cons

9.3 Activity based costing – Basics, application, pros and cons

9.4 Standard costing - Basics, application, pros and cons

9.5 Target costing - Basics, application, pros and cons

Unit-X: Planning, forecasting, and budgeting

10.1 Budgeting and forecasting process, its purpose, and its relevance to overall planning and control functions

10.2 Stages in budgeting process

10.3 Preparing forecasts using give data and making assumptions using qualitative and quantitative methods

- 10.3.1 Times series models
- 10.3.2 Moving averages
- 10.3.3 Linear regression analysis

10.4 Preparation of budgets

- 10.4.1 Fixed and variable budgets
- 10.4.2 Performance budgets
- 10.4.3 Sales budget
- 10.4.4 Production Budget – direct material budget, direct labor budget, manufacturing overhead budget, inventory budget, cost of goods sold budget
- 10.4.4 Selling and administrative expenses budget with inflation aspects,
- 10.4.5 Master/ cash budget,
- 10.4.6 Zero based budget
- 10.4.7 Capital expenditure budget

10.5 Different approaches to budgeting

- 10.5.1 Flexible and fixed budgeting
- 10.5.2 Incremental budgeting
- 10.5.3 Zero based budgeting
- 10.5.4 Continuous (rolling) budgeting
- 10.5.5 performance budgeting

10.6 Human and motivational aspects of budgets and budgeting process for non-profit organization

Unit-XI: Tools for Managerial Decision Making

11.1 Relevant Costing – Concept and application

11.2 Breakeven analysis – Concept and Application

- 11.2.1 Calculation in amount and units
- 11.2.2 Calculation of margin of safety
- 11.2.3 CPV analysis and its application

11.3 Make vs. buy decisions – concept and application

11.4 Pricing for special orders

11.5 Balanced Scorecard – conception, aspects, application, and usefulness

6.0 Teaching-Learning Strategies

Lectures, discussions, presentations, quiz & assignments

7.0 Assignments- Types and Number with calendar

8.0 Assessment and Examinations: As per University Rules

9.0 Textbooks

In the detail course outline, one may mention chapters of the textbook with the content topic(s).

1. CAF – 8 Cost and Management Accounting – Study Text by ICAP
2. Managerial Accounting, 12th edition, Garrison, Noreen, & Brewer, McGraw Hill.

10. Suggested Readings

10.1 Books

- Cost and Management Accounting by Colin Drury

10.2 Journal Articles/ Reports

- Kaplan, R. S., & Norton, D. P. (2005). The balanced scorecard: measures that drive performance. *Harvard Business Review*, 83(7), 172.
- Nawaz, M. (2013). An Insight Into the Two Costing Technique: Absorption Costing and Marginal Costing. *BRAND. Broad Research in Accounting, Negotiation, and Distribution*, *4*(1), 48-61.
- Hansen, S. C. (2011). A theoretical analysis of the impact of adopting rolling budgets, activity- based budgeting and beyond budgeting. *European Accounting Review*, *20*(2), 289-319.