

ACC 202: Cost and Management Accounting

Credits: 3

Lecture Hours: 48

Course Objectives

The primary objective of the module is to provide students with an understanding of the concepts, tools and techniques of cost and management accounting and their application in managerial decision making.

Course Description

This course comprises conceptual foundation of cost and management accounting, segregation of cost, accounting for material and labour, allocation apportionment and absorption of overhead cost, income statement under variable and absorption costing technique, standard costing system with material and labour cost variance, flexible budgeting under different levels of activities, overhead cost variance, preparation of functional and financial budget in a manufacturing/non-manufacturing concern, decision regarding alternative choices.

Unit 1: Conceptual Foundation

LH 4

- **Cost & management accounting:** Meaning, objectives, importance, advantages and limitations, differences between financial accounting and cost accounting, management accounting and cost accounting.
- **Cost concept and its classification.**
- **Concept and method of cost segregation:** i) Two point method and ii) Least square method & iii) Estimation of cost

Unit 2: Accounting for Materials

LH 3

- **Materials/Inventory:** Concept, reasons and objectives for holding material / inventory.
- **Inventory Control:** Meaning, importance and techniques, Economic order quantity with and without discount, Re-order, maximum, minimum, danger and average stock levels under the condition of certainty.

Unit 3: Accounting for Labour Cost

LH 3

- **Labour cost:** Concept and need for control of labour cost.
- **Incentive wages Plan:** Halsey and Rowan premium Plan, Taylor's differential piece rate system, Gantt's Task and Bonus plan.

Unit 4: Accounting for Overhead Cost:

LH 4

- **Overhead cost:** Meaning, classification, importance
- **Accounting and Distribution of overhead cost:** Allocation, apportionment and absorption of overhead cost.

Unit 5: Accounting for Profit Planning

LH 8

- **Absorption costing:** Concept, importance, income statement under absorption costing technique, limitations.
- **Variable costing:** Concept, importance, income statement under variable costing technique, reconciliation statement between absorption and variable costing techniques showing the causes of difference.
- **Cost Volume profit analysis:** Meaning, importance, Contribution margin analysis, Break-even-analysis: under constant and the following underlying situations: changes on selling price, fixed cost, & variable cost, and under step fixed cost, Break-even-analysis of multi-products firms, assumptions of CVP analysis and its limitations.

Unit 6: Standard costing

LH 4

- **Standard costing:** Concept, preliminaries to establish standard costing system, difference between standard costing and budgetary control, advantages and limitations.

- **Variance analysis:**
Material variance: Concept and calculation of cost, price, usage, mix and yield variances.
Labour variance: Concept and calculation of cost, efficiency, rate, mix, idle time and yield variances.

Unit 7: Flexible budgeting **LH 4**

- **Flexible budgeting:** Limitations of static budget, concept, importance of flexible budget, flexible budgeting for overhead cost control, flexible budget in different level of activity.
- **Overhead cost variance:** Concept and calculation of capacity, efficiency and spending variances.

Unit 8: Budgeting and Profit Planning **LH 12**

- Concept and objectives of budget.
- Preparation of budget for manufacturing and non-manufacturing concern: sales budget, production budget, purchase budget, direct labour and overhead cost budget.
- Cash collection and disbursement budget, budgeted income statement, budgeted balance sheet.

Unit 9: Accounting for Alternative Choices for Decision Making **LH 6**

- Concept of decision making, types of decision making: Make or buy decision, Drop or continue decision, Accept or reject special offer, decision to sell or further processing.

Suggested Books

Ronald W. Hilton, and David E. Platt *Managerial Accounting*, McGraw Hill, Irwin.

Charles T. Horngren, Srikant M. Datar and George Foster, *Cost Accounting, A managerial Emphasis*, Pearson Education

Colin Drury, *Management and Cost Accounting*, ELBS with Chapman and Hall Jerry J. Weygandt,

Jawahar Lal, *Cost Accounting*, Tata McGraw Hill Co., New Delhi

T. Lucy, *Cost Accounting*, Tata McGraw Hill Co., New Delhi.

M.R. Koirala, and et.al, *Cost and Management Accounting*, Buddha Academy Publication House, Kathmandu.

Yamesh man Singh, Khagendra P. Ojha, Chiranjibi Acharya, *Cost and Management Accounting*, Buddha Academic Publishers and Distributors Pvt.Ltd.

R.M. Dangol and et.al, *Cost and Management Accounting*, Taleju Publishing House, Kathmandu

Koirala, Y.R. and et.al, *Cost and Management Accounting*, Ashmita Publication, Kathmandu.