

MC 303: MANAGEMENT ACCOUNTING

Course Objective:

This paper will acquaint the students with management accounting concepts and its applications for decision making, planning and control.

Learning Outcomes:

After successfully completing this course, students will have the knowledge and skills to

1. Understand the basis of conventional and contemporary costing systems
2. Determine the costs of products and services
3. Critically analyse relevant costs and provide recommendations for internal decision making
4. Prepare budgets & analyse the variances of actual costs with respect to standards

Course Contents:

Unit I

(3 Weeks)

Nature, Scope of Management Accounting: Meaning, definition, nature and scope of Management Accounting; Cost concepts: , Cost Control, and Cost Reduction; Elements of Cost, Components of total Cost, Cost Sheet. Classification of Costs: Fixed, Variable, Semi-variable, and Step Costs; Product, and Period Costs; Direct, and Indirect Costs; Relevant, and Irrelevant Costs; Shut-down, and Sunk Costs; Controllable, and Uncontrollable Costs; Avoidable, and Unavoidable Costs; Imputed / Hypothetical Costs; Out-of-pocket Costs; Opportunity Costs; Expired, and Unexpired Costs; Conversion Cost. Cost Ascertainment: Cost Unit and Cost Center. Overhead allocation, Overhead Apportionment, Apportionment of support department costs (Simultaneous Equation, Repeated Distribution methods) and Overhead Absorption.

References:

- Arora, M.N. (2016) A Textbook of Cost and Management Accounting. Vikas Publishing House Pvt. Ltd. Chapters 1, 2, 5.
- Maheshwari, S.N. and Mittal, S.N. (2016) Cost Accounting: Theory and Problems. Shree Mahavir Book Depot Chapters 1, 5.

MANAGEMENT ACCOUNTING

Unit II **(3 Weeks)**

Cost-Volume-Profit Analysis: Marginal cost, Contribution per unit and Total contribution. Profit-Volume Ratio, Break-even Analysis: Cost Break-even Point, Composite Break-even Point, Cash Break-even Point, Margin of safety. Relevant Costs and Decision Making: Key Factor, Pricing, Product Profitability, Make or Buy, Export Orders, Sell or Process Further, Shut down vs. Continue operations.

References:

Arora, M.N. (2016) A Textbook of Cost and Management Accounting. Vikas Publishing House Pvt. Ltd. Chapters 10, 11.
Maheshwari, S.N. and Mittal, S.N. (2016) Cost Accounting: Theory and Problems. Shree Mahavir Book Depot Chapter 16.

Unit III **(3 Weeks)**

Budgets and Budgetary Control: Meaning, Types of Budgets, Steps in Budgetary Control, Fixed and Flexible Budgeting. Sales budget, Production Budget, Raw material consumption Budget, Raw Material Purchase and Factory overhead budget, Office overhead budget and selling and distribution overhead budget Cash Budget, and Master Budget. Standard Costing and Variance Analysis: Meaning of Standard Cost and Standard Costing, Advantages, Limitations and Applications; Direct Cost Variances :Material Cost Variance, Price and Usage Variance and Mix and yield Variance; Labor Cost Variance, Rate and Usage Variance, Idle time, Mix and Yield variance.

References:

Arora, M.N. (2016) A Textbook of Cost and Management Accounting. Vikas Publishing House Pvt. Ltd. Chapters 12, 13.
Maheshwari, S.N. and Mittal, S.N. (2016) Cost Accounting: Theory and Problems. Shree Mahavir Book Depot Chapters 14, 15.

Unit IV **(3 Weeks)**

Process costing, normal loss, abnormal loss, abnormal effectiveness, Preparation of process accounts, normal loss account, abnormal loss account, abnormal gain account.

MANAGEMENT ACCOUNTING

Process costing with opening and closing WIP, equivalent units (using FIFO). Joint and by products:

Allocation of joint costs based on Physical units method, Relative market value methods (Sales value at split off method and Net realisable value method) . Introduction to the concepts of Target Costing, Life Cycle Costing, Quality Costing, and Activity based Costing.

References:

Arora, M.N. (2016) A Textbook of Cost and Management Accounting. Vikas Publishing House Pvt. Ltd. Chapters 8, 18.

Maheshwari, S.N. and Mittal, S.N. (2016) Cost Accounting: Theory and Problems. Shree Mahavir Book Depot Chapters 9,21, 22, 23

Text Books:

1. Arora, M.N. (2016) A Textbook of Cost and Management Accounting, 12th ed., Vikas Publishing House Pvt. Ltd.
2. Maheshwari, S.N. and Mittal, S.N. (2016) Cost Accounting: Theory and Problems, 27th ed., Shree Mahavir Book Depot

Additional Readings:

1. Datar, S.M. & Rajan, M.V., (2017), Horngren's Cost Accounting: A Managerial Emphasis (16th Edition) Pearson.

Note: Latest edition of the readings may be used.

Teaching Learning Process:

Lectures, Presentations, Case studies, Numerical analysis, Test/Quiz, Term paper on a given topic

Assessment Methods:

Internal assessment	25 marks
Written exam	75 marks

Keywords:

Cost ascertainment, Budgetary cost control, Decision making, Variance Analysis