

COST MANAGEMENT

Subject Code	: 14MBA FM305	IA Marks	: 50
No. of Lecture Hours / Week	: 04	Exam Hours	: 03
Total Number of Lecture Hours	: 56	Exam Marks	: 100
Practical Component	: 01 Hour / Week		

Objectives:

- To describe the cost concepts, cost behaviors, and cost accounting techniques that are applied to manufacturing and service businesses
- To provide an understanding of the use of cost information in support of different strategies
- To demonstrate costing methods and techniques appropriate to a variety of businesses
- To prepare and interpret budgets and operating results through variance analysis
- To describe the use of balanced scorecard and explain how the balanced scorecard supports strategic cost management

Module I

(10 Hours)

Introduction to Cost Management- Cost Accounting to Cost Management- Elements of costs-Classification of costs-Methods of costing-Cost Management Tools- A Strategic View to Cost Management- Preparation of a cost sheet

Module II

(10 Hours)

Overheads, Classification and Collection, Difference between Cost Allocation and Cost Apportionment, (Full fledged Problems on Primary and secondary distribution, Simultaneous equations, Absorption of Overhead, Theory on Under and Over absorption of Overhead)

Module III

(8 Hours)

Marginal Costing – Nature and Scope- Applications-Break even charts and Point, Decision Making (all types with full problems) Differential Cost Analysis, Advantages and Disadvantages of Marginal Costing.

Module IV

(8 Hours)

Budgetary Control:- Objectives of Budgetary control, Functional Budgets, Master Budgets, Key Factor Problems on Production Budgets and Flexible Budgets.

Standard Costing:- Comparison with Budgetary control, analysis of Variances, Simple Problems on Material and Labour variances only.

Module V

(8 Hours)

Demerits of Traditional Costing, Activity Based Costing, Cost Drivers, Cost Analysis Under ABC (Unit level, Batch Level and Product Sustaining Activities), Benefits and weaknesses of ABC, Simple Problems under ABC.

Module VI

(5 Hours)

Cost Audit-objectives, Advantages, Areas and Scope of Cost Audit, Cost Audit in India --Practical--Read the contents of the report of Cost Audit and the annexure to the Cost Audit report.
Management Audit- Aims and the objectives, Scope of Management Audit.

Module VII

(7 Hours)

Reporting to Management – Purpose of reporting-Requisites of a good report, Classifications of Report, Segment reporting, Applicability of Accounting Standard 17, Objectives, Users of Segment reporting, Cost Reduction, and Cost Control, Target Costing – its Principles, Balanced Scorecard as a performance measure- Features- Purpose, Reasons for use of Balanced scorecard.

Proportion of problems to theory 50%

Practical components:

- Students can take up a product and get details about the actual cost of raw material, wages and other cost and prepare a cost statement. Standard cost of each component has to be obtained and the variance can be calculated to find the efficiency of Purchase, Operations and Production in charge.

RECOMMENDED BOOKS:

- Cost Accounting: Theory and Practice - Bhabatosh Banerjee, 13th Edition, PHI.
- A Text book of Cost and Management Accounting – Arora M. N, 11th Edition, Vikas.
- Financial Statement Analysis and Reporting - Mohana Rao P, PHI, 2011.
- Cost Management: A strategic Approach - Vaidya S. C, Suveera Gill, Macmillan, 2010.

- Cost Accounting- Jawaharlal, & Seema Srivastava, 4th Edition, TMH.
- Accounting & Costing for Management – Sinha P. K, Excel Books, 2010.
- A Textbook of Cost Management- G.V Kesava Rao, D Gopinath, M.G. Krishnamurthy and Anita S. Yadav, Paramount Publishing House, 2013

REFERENCE BOOKS:

- Cost Accounting – Khan M. Y and Jain P. K, TMH.
- Principles and Practice of Cost Accounting - Bhattacharyya, 3rd Edition, PHI.
- Cost and Management Accounting- Arora M. N, 3rd enlarged and Revised Edition, HPH.
- Managerial Accounting- James Jiambalvo, 4nd Edition, Wiley India Pvt. Ltd.
- Management Accounting - Khan M. Y and Jain P. K, 6th Edition, McGraw Hill, 2012.
- Advanced Cost Accounting – Madegowda J, HPH.
- Cost and Management Accounting – Arora M. N, 3rd Edition, HPH.



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Mumbai - 400 048