

## COST MANAGEMENT

<b>Semester</b>	<b>III</b>	<b>CIE Marks : 40</b>
<b>Course Code</b>	<b>18MBAFM305</b>	<b>SEE Marks : 60</b>
<b>Teaching Hours / week (L:T:P)</b>	<b>3-0-2</b>	<b>Exam Hours : 03</b>
<b>Credits : 04</b>		

### Course Objectives:

1. To understand various concepts and terminologies used in cost management
2. To explain and critically evaluate various costing methods and techniques such as marginal costing, budgetary control, standard costing, activity based costing etc.
3. To apply and analyse various costing methods and techniques mentioned above

### Unit-1: Introduction to Cost Management

Meaning of cost and cost management-Cost accounting vs Cost management-Classification of costs-Methods and techniques of costing-Preparation of cost sheet (Numerical problems on cost sheet).

### Unit-2: Overheads

Classification of overheads-Cost allocation and cost apportionment-Primary and secondary distribution of overheads-Simultaneous equation method (Numerical problems on both primary and secondary distribution)-Absorption of Overheads-Under and over absorption of overheads (Only theory).

### Unit-3: Marginal Costing

Meaning, advantages and disadvantages of Marginal costing-Marginal cost techniques-Break Even Point (including chart), P/V Ratio and Margin of Safety-Applications of marginal costing technique (All types of numerical problems)-Differential Cost Analysis (Only theory).

### Unit-4: Budgetary Control and Standard Costing:

Meaning and objectives of budgetary control-Types of budgets (Purchase budget, production budget, sales budget and master budget). (Numerical problems only on production and flexible budget). Standard Costing: Meaning of standard costing and variance analysis and its comparison with budgetary control (Numerical problems only on material and labour cost variances).

### Unit-5: Activity Based Costing (ABC):

Meaning of Activity based costing and its comparison with traditional costing-Cost drivers- Unit level, batch level, product level and facility level cost-Advantages and disadvantages of ABC (Numerical problems on cost analysis under ABC).

### Unit-6: Cost Audit and Reporting:

Cost Audit-Meaning, objectives and advantages-Management Audit-Meaning, objectives and Scope-Management Reporting-Objectives and types of reporting-Requisites of a good report- Segmental reporting. Cost Control-Meaning of cost control-cost control vs cost reduction- Target Costing-Meaning and its objectives-Balanced Scorecard-Meaning, objectives and features. (Question Paper:50% Theory and 50% Problems)

**Question paper proportion:** 40 Theory and 60 Problems

### PRACTICAL COMPONENTS:

- The student can choose any product and get details about the actual cost of material, wages and other cost and prepare a cost statement.
- Standard cost of each component has to be obtained and compared with actual cost to find the variance and reasons for variance to assess efficiency of purchase, operations and production.

### COURSE OUTCOMES:

At the end of the course, the students will be able to:

1. Understand various cost methods and techniques with their features, merits and demerits).
2. Demonstrate the application of cost sheet, marginal costing, budgetary control techniques, Activity based costing etc. with numerical problems.
3. Analyse the results after applying various costing methods and techniques.
4. Critically evaluate all traditional and non-traditional costing methods such as absorption costing, marginal costing and activity based costing.

### RECOMMENDED BOOKS:

- Management Accounting, Khan M. Y and Jain P. K, 6th Edition, McGraw Hill, 2012.
- A Text book of Cost and Management Accounting, Arora M. N, 11th Edition, Vikas.

### REFERENCE BOOKS:

- Managerial Accounting, James Jambalvo, 4th Edition, Wiley India Pvt. Ltd.
- Cost Accounting, Jawaharlal, & Seema Srivastava, 4th Edition, TMH.

### CO-PO MAPPING

CO	PO				
	PO1	PO2	PO3	PO4	PO5
CO1	X				
CO2	X				
CO3				X	
CO4				X	