Cost Accounting

Total Credits	Lecture	Tutorial	Practical	Eligibility Criteria	Pre-requisite
4	3	1	0	Pass in Class XII	NIL

Learning Objectives

The course aims to develop understanding among learners about contemporary cost concepts and rational approach towards cost systems and cost ascertainment. The course also aims to provide knowledge about various methods of cost determination under specific situations and to acquire the ability to use information determined through cost accounting for decision making purposes.

Learning Outcomes

After completion of the course, learners will be able to:

1. Compute unit cost and total cost of production and prepare cost statement.
2. Compute employee cost, employee productivity and employee turnover
3. Classify and estimate overheads.
4. Determine cost under job costing, process costing, contract costing and service costing.
5. Compute the break-even point of a product and firm.

Course Contents:

Unit 1: Introduction (9 hours)

Meaning, scope, objectives and advantages of cost accounting; Difference between financial and cost accounting. Cost concepts and classifications, Overview of elements of cost and preparation of Cost Sheet. Role of a cost accountant in an organisation.

Unit 2: Elements of Cost : Material, Employee, Overheads (18 hours)

(a) Materials: Accounting and control of materials: Concept of material cost and control, accounting and control of purchases, storage and issue of materials. Inventory systems, Methods of pricing of materials issues — FIFO, LIFO, and Weighted Average, Physical Verification, Fixation of stock levels, determination of economic order quantity, ABC analysis. Accounting treatment and control of losses — Wastage, scrap, spoilage and defectives.

(b) Employee Cost: Accounting and Control of employee cost; time keeping and time booking; Concept and treatment of idle time, over time and employee turnover.

(c)Overheads: Classification, allocation, apportionment and absorption of overheads, Treatment of under and over-absorption.

Unit 3: Methods of Costing (9 hours)

Job costing, Contract costing, Process costing (excluding treatment of work-in- progress, joint and by-products). Service costing (only transport).

Unit 4: Cost-Volume-Profit Analysis (9 hours)

Concept of cost-volume-profit analysis, marginal cost and marginal cost equation, profitvolume ratio, break-even analysis, cost break- even point, composite break- even point, margin of safety, simple break-even chart, Identification of key factor and determination of profitability.

Notes :

1. Treatment of various items of cost should be as per the relevant cost Accounting Standards (CAS) issued by Institute of Cost Accountant of India.
2. Use only simple numerical problems in all the above units to explain the various concepts, methods and techniques given therein.
3. Use of spreadsheet software should be encouraged for the basic calculation.

Exercises:

The learners are required to:

1. Prepare a cost statement for manufacturing and/ or service organisation.
2. Visit industries to understand process costing and prepare a cost statement for any process industry.
3. Visit a factory and compute the employee cost of the firm.
4. Analyse the role of overhead costs in the production process of any firm.
5. Analyse case studies on job costing, process costing, contract costing and service costing.
6. Design a hypothetical business plan for a firm selling financial products. Estimate the break-even point for different products.

Suggested Readings

- Arora, M.N. (2021). Cost Accounting-principles and practice. Delhi, India: Vikas Publishing House.
- Goel, R. K., & Goel, I. (2019). Concept Building Approach to Cost Accounting for B.Com (Hons.)/B.Com. Delhi, India: Cengage Publications.
- Gupta, S., Reeta, & Rao, R.P. (2021). Cost Accounting for B.Com. Delhi, India: Sultan Chand.
- Maheshwari, S. N., & Mittal, S. N. (2020). Cost Accounting. Theory and Problems. Delhi, India: Shri Mahaveer Book Depot.
- Maheshwari, S. N., Mittal S. K., & Mittal, S.N. (2021). Cost Accounting: Principles & Practice. Delhi, India: Shree Mahaveer Book.
- Mitra, J. K. (2021). Cost and Management Accounting. Delhi, India: Oxford University Press.
- Nigam, B. M. L., & Jain, I. C. (2023). Cost Accounting: Principles and Practice. Delhi, India: PHI Learning.
- Singh, S. (2019). Fundamentals of Cost Accounting. Allahabad, India: Kitab Mahal.
- Tulsian, P.C. (2020). Cost Accounting. Delhi, India: S.Chand.

Additional Resources

- Drury, C. (2018). Management and Cost Accounting. China: Cengage.
- Horngren, C. T., Foster, G., & Dattar, S. M. (2017).Cost Accounting: A Managerial Emphasis. Delhi, India: Prentice Hall of India Ltd.
- Jain, S.P., & Narang, K.L. (2021). Cost Accounting: Principles and Methods. Jalandhar, India: Kalyani Publishers.

Note: Suggested readings will be updated by the Department of Commerce and uploaded on Department's website.