

## Core II

# Cost Accounting

### Course Objectives

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

### Course Outcomes

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

- Understand and analyse the different cost concepts.
- Analyse various components of cost of production.
- Compute unit cost and total cost by preparing a cost statement.
- Compute employee cost, employee productivity and employee turnover.
- Determine cost for different industries using job costing, process costing, contract costing and service costing.

### Unit 1: Introduction

Meaning, scope, objectives and advantages of cost accounting; Difference between financial and cost accounting. Cost concepts and classifications, Cost centre, profit centre and responsibility centre, Overview of elements of cost and preparation of Cost Sheet for manufacturing sector. Role of a cost accountant in an organisation. Cost Accounting Standards (CAS – 4 on Cost of Production / Acquisition / Supply of Goods / Provision of Services) and (CAS – 22 on Manufacturing Cost) as amended from time to time.

### Unit 2: Elements of Cost: Material and Employee Cost

- Materials: Accounting and control of purchases, storage and issue of materials. Techniques of inventory control, Periodic and perpetual systems of maintaining inventory records, an overview of methods of pricing of materials issues — FIFO and Weighted Average price method, Valuation of materials as per CAS – 6 on Material Cost, Accounting treatment of losses— Wastage, scrap, spoilage and defectives
- Employee (Labour) Cost: Accounting and Control of employee cost. Time-keeping and time-booking. Employee turnover: meaning, methods of measurement and accounting treatment. Concept and treatment of idle time and overtime. Methods of wage payment and Incentive schemes- Halsey, Rowan, Taylor's differential piece wage.

### Unit 3: Elements of Cost: Overheads

Classification, allocation, apportionment and absorption of overheads, Under and over-absorption of overheads; Capacity Levels and Costs; Treatments of certain items in costing

like interest and financing charges, packing expenses, bad debts, research and development costs.

#### **Unit 4: Methods of Costing**

Job costing, Contract costing, Process costing/ Operation Costing (including process losses, valuation of work- in-progress), Service costing/ Operating costing and Activity Based Costing.

#### **Suggested Readings**

- ✓ *Tulsian, P.C. (2020). Cost Accounting. Delhi, India: S.Chand.*  
*Advanced Cost Accounting" by Saxena and Vashist - published by Kalyani Publishers, Cuttack, Odisha.*
- ✓ *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, & Prabhakar, R. R. (2021). Cost Accounting for B.Com. Delhi, India: Sultan Chand.*
- ✓ *Maheshwari, S. N., & Mittal, S. N. (2020). Cost Accounting. Theory and Problems. Delhi, India: ShriMahaveer 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: KitabMahal.*