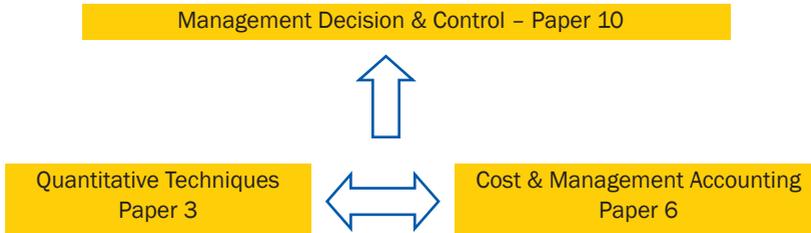


COST AND MANAGEMENT ACCOUNTING

SYLLABUS CHART



OVERALL AIM

To equip the learner with ability to apply the principles, concepts and techniques of cost and management accounting to generate information for decision making

LEARNING OUTCOMES

On completion of this course, the learner should be able to:

| | Learning outcomes | K | C | A | An | S | E |
|----|---|----------|----------|----------|-----------|----------|----------|
| 1. | Explain the nature and roles of cost accounting, management accounting and financial accounting | | ✓ | | | | |
| 2. | Explain the elements of cost | | ✓ | | | | |
| 3. | Allocate costs to cost units, cost objects, cost centres | | | ✓ | | | |
| 4. | Calculate product costs under different methods of cost accounting | | | ✓ | | | |
| 5. | Compute relevant costs for decision-making | | | ✓ | | | |
| 6. | Discuss the principles of budgeting | | ✓ | | | | |
| 7. | Prepare budgets | | | ✓ | | | |
| 8. | Analyse variances | | | | ✓ | | |
| 9. | Explain ethical issues encountered by management accountants | | ✓ | | | | |

LEVEL OF ASSESSMENT

The examination will test knowledge, comprehension, application and analysis of the principles, concepts and techniques of cost and management accounting

EXAMINATION STRUCTURE

There will be a three-hour examination made up of sections A and B. Section A will comprise 20 compulsory multiple-choice questions of 20 marks. Section B will comprise five questions of 20 marks each, of which the candidate will be required to attempt any four

DETAILED SYLLABUS

A. INTRODUCTION

1. Cost accounting:
 - (a) Nature, meaning and scope
 - (b) Users of cost accounting information and their needs
 - (c) Purpose of cost accounting information
 - (d) Selection of an ideal cost accounting system
 - (e) Challenges of establishing a cost accounting system
2. Management accounting:
 - (a) Meaning, nature, scope, limitations, applications
 - (b) Users of management accounting information and their needs
 - (c) The roles of a management accountant and financial accountant
 - (d) Relationship between management accounting, cost accounting and financial accounting
 - (e) Ethical requirements of a management accountant

B. COST CLASSIFICATION

1. Meaning of: Cost, cost unit, cost centre, cost object, cost objective, cost behaviour, cost classification
2. Types of costs
3. Cost classification: Types; importance of each type
4. Elements of manufacturing costs: Direct, indirect and non-manufacturing costs
5. Cost sheet/ cost statement

6. Introduction to cost estimation:
 - (a) Meaning
 - (b) Methods of estimating cost:
 - (i) Non-mathematical: Engineering, accounts analysis, high-low
 - (ii) Mathematical: Scatter graph, ordinary least squares (OLS) regression method (simple linear regression only)

C. MATERIALS COSTING

1. Meaning and components of material cost
2. Materials control:
 - (a) Objectives
 - (b) Procedures: Purchasing, issuance, storage
3. Inventory records:
 - (a) Bin card
 - (b) Stores ledger card
4. Merits and demerits of centralised and decentralised stores management systems
5. Documents used in materials control:
 - (a) Materials requisition note
 - (b) Bill of materials
 - (c) Goods received note
 - (d) Delivery note
 - (e) Materials returned note
 - (f) Materials transfer note
6. Techniques of inventory control:
 - (a) Economic order quantity
 - (b) Control level
 - (c) Just in time
 - (d) ABC analysis/ Pareto analysis
 - (e) Inventory (stock) turnover ratio
 - (f) Fast moving, slow moving and non-moving items (FSN) analysis
7. Merits and demerits of continuous and periodic inventory counting (stocktaking) methods:
8. Perpetual inventory control system

9. Application of first in first out, weighted average and last in first out methods of inventory valuation; advantages and disadvantages of each method

10. Accounting for material losses

D. LABOUR COSTING

1. Meaning and classification of labour costs

2. Procedures followed in controlling labour costs

3. Labour turnover:

(a) Meaning

(b) Causes

(c) Effects

(d) Costs

(e) Methods of reducing labour turnover

4. Job evaluation versus job analysis

5. Merits and demerits of merit rating

6. Payroll accounting:

(a) Meaning

(b) Comparison with labour cost accounting

(c) Functions and responsibilities of the payroll function

7. Determination of gross wages using:

(a) Clock and time cards

(b) Piecework cards

(c) Employee record cards

(d) Job cards

8. Payroll fraud and prevention

9. Idle time, idle capacity, overtime and their treatment

10. Time rate, piece rate and premium/ bonus methods of labour remuneration; advantages and disadvantages of each method

11. Incentive schemes:

(a) Principles of a good incentive scheme

(b) Halsey and Rowan incentive schemes; merits and demerits of each scheme

E. OVERHEAD COSTING

1. Meaning of overheads
2. Classification of overheads
3. Methods of semi-variable overhead segregation:
 - (a) High-low
 - (b) Scatter diagram
 - (c) Ordinary least squares regression (simple linear regression)
4. Allocation and apportionment of overheads
5. Simultaneous equation, repeated distribution and elimination/ step methods of re-apportionment of service department overheads to production departments
6. Overhead absorption
 - (a) Determination of overhead absorption rates:
 - (i) Actual overhead rate
 - (ii) Blanket and departmental overhead rates
 - (b) Methods of overhead recovery:
 - (i) Direct material cost
 - (ii) Direct wages
 - (iii) Prime cost
 - (iv) Direct labour hour
 - (v) Machine hour rate
 - (vi) Rate per unit of output
 - (c) Accounting for under/ over recovery of overheads
 - (d) Causes of under/ over absorption of overheads
7. Meaning and determination of idle, normal, actual, practical and maximum capacity levels

F. COST ACCOUNTS

1. Integrated cost accounting systems:
 - (a) Meaning
 - (b) Advantages and disadvantages
 - (c) Accounts maintained

2. Interlocking cost accounting systems:
 - (a) Meaning
 - (b) Advantages and disadvantages
 - (c) Accounts maintained
3. Reconciliation of profits between integrated and interlocking cost accounting systems

G. SPECIFIC ORDER COSTING METHODS

1. Job costing:
 - (a) Meaning, features and procedures
 - (b) Job cost determination
2. Batch costing:
 - (a) Meaning, features and procedures
 - (b) Batch cost determination
3. Contract costing:
 - (a) Meaning, features and procedures
 - (b) Preparation of contract accounts
 - (c) Determination of profit/ loss on contracts
4. Service costing:
 - (a) Meaning and features
 - (b) Unit costing and multiple costing
 - (c) Types of cost units
 - (d) Determination and control of costs

H. PROCESS COSTING

1. Process costing:
 - (a) Meaning and features
 - (b) Specific order costing versus process costing
 - (c) Preparation of process accounts
 - (d) Normal and abnormal losses or gains
 - (e) Accounting for normal and abnormal losses or gains
 - (f) Work in progress:
 - (i) Equivalent units and their determination
 - (ii) Preparation of appropriate statements

2. Joint products:
 - (a) Meaning
 - (b) Average unit cost, contribution, physical unit, survey and market value methods of apportioning joint costs
3. By-products:
 - (a) Meaning and classification
 - (b) By-products, main product, joint products
 - (c) Cost and non-cost methods of accounting for by-products

I. ABSORPTION VERSUS MARGINAL COSTING

1. Meaning of marginal and absorption costing
2. Marginal costing versus absorption costing
3. Merits and demerits of each method
4. Preparation of financial statements and determination of cost of production and profit under each method; impact of each method on profit
5. Cost-volume-profit analysis:
 - (a) Assumptions
 - (b) Accountant's model versus economist's model; cost and revenue functions
6. Graphical/ non-graphical methods of determining and interpreting:
 - (a) Breakeven point
 - (b) Contribution
 - (c) Profit or loss
 - (d) Margin of safety
 - (e) Angle of incidence
7. Preparation of cost-volume profit statements

J. RELEVANT AND IRRELEVANT COSTS

1. Concept of decision making; relevant costs, irrelevant costs
2. Steps in decision-making
3. Limiting factors for decision-making
4. Relevant costs versus irrelevant costs for decision-making

5. Preparation of statements for relevant costs and irrelevant costs (including the evaluation of performance and interpretation of information to management) under the following decision scenarios:
 - (a) Sales mix
 - (b) Product line discontinuation
 - (c) Make or buy
 - (d) Shut down
 - (e) Expansion or contraction
 - (f) Special order
 - (g) Further processing

K. ALTERNATIVE COST ACCOUNTING METHODS

1. Activity-based costing (ABC):
 - (a) Meaning
 - (b) ABC versus traditional costing systems
 - (c) Merits and demerits of ABC
 - (d) Classification of activities
 - (e) Selection and evaluation of the validity of different cost drivers
 - (f) Determination of product costs using ABC
2. Introduction to other alternative cost accounting methods:
 - (a) Target costing
 - (b) Life cycle costing
 - (c) Total quality management
 - (d) Backflush costing technique
 - (e) Throughput costing technique

L. BUDGETING AND BUDGETARY CONTROL

1. Budget/ budgeting:
 - (a) Meaning
 - (b) Purpose
 - (c) Advantages and disadvantages of budgeting
 - (d) Stages in the budgeting process
 - (e) Limiting factors in budgeting

- (f) Preparation, merits and demerits of the following:
 - (i) Functional budgets
 - (ii) Cash budget
 - (iii) Flexible and fixed budgets
 - (iv) Master budget
 - (v) Basic and current budgets
 - (vi) Short-term and long-term budgets
- 2. Meaning, merits, demerits of the following alternative approaches to budgeting:
 - (a) Zero-based budgeting
 - (b) Activity-based budgeting
 - (c) Rolling budgeting
 - (d) Beyond budgeting
 - (e) Incremental budgeting
- 3. Organisational and behavioural aspects of budgeting:
 - (a) Motivation
 - (i) Importance of motivation in performance management
 - (ii) Factors in budgetary planning and control system that influence motivation
 - (iii) Impact of targets on motivation
 - (b) Managerial incentive schemes
 - (c) Participative approach to budgeting: Advantages, disadvantages
 - (d) Top down, bottom up approaches to budgeting
- 4. Budgetary control and reporting
 - (a) Meaning
 - (b) Purpose
 - (c) Operation of a budgetary control system
 - (d) Budgeting and budgetary control in the private and public sector
 - (e) Budgetary variances: flexed budget, fixed budget
 - (f) Concept of responsibility accounting and its significance in budgetary control

- (g) Concept of controllable and uncontrollable costs
- (h) Meaning and computation of capacity, efficiency, activity ratios
- (i) Preparation of control reports

M. STANDARD COSTING AND VARIANCE ANALYSIS

1. Standard costing:
 - (a) Meaning of standard costing, standard costs
 - (b) Standard costing versus budgetary control; standard costs versus budgeted costs
 - (c) Advantages and disadvantages of standard costing
 - (d) Basic, ideal, currently attainable and expected standards
 - (e) Establishing cost standards for direct materials, direct labour, overheads and sales price and margin
 - (f) Standard cost card/ sheet
 - (g) Preparation of standard cost statements
2. Variance analysis:
 - (a) Meaning
 - (b) Determination of variances for direct materials, direct labour, overheads and sales
 - (c) Responsibility centres for variances
 - (d) Profit or loss statement showing interrelationship of variances
 - (e) Causes of variances; control actions for variances
 - (f) Factors to consider before investigating variances
 - (g) Reconciliation of budgeted and actual profit

REFERENCES

1. ICPAU, Cost & Management Accounting, Kampala.
2. Arora, M. N., 2021. Cost Accounting: Principles & Practice, 13th ed, Vikas Publishing House
3. Colin D., 2021. Management and Cost Accounting, 11th ed, Andover: Cengage Learning