



**NORTH MAHARASHTRA UNIVERSITY, JALGAON**  
(NAAC Re-accredited "B" Grade {CGPA 2.88})

**FACULTY OF COMMERCE & MANAGEMENT**  
New Syllabus: M.Com (w.e.f. June 2014)

**SEMESTER : I Specialization Paper : I**

**104 (B) Advanced Cost Accountancy**

**Semester Pattern: External Marks 60 + Internal Marks 40 = Maximum Total marks = 100 [Lectures: 48]**

***A] Title of Paper - Elements of Cost***

***B] Course Objectives***

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**After studying this paper the student will be able to -**

1. To understand the concepts of materials, labour and overheads as elements of costs, and the accounting procedure for these elements of costs
  2. To understand the controlling aspects of these elements of costs
  3. compute the total cost of output by accumulating costs in the form of a cost sheet
  4. To understand the basis for preparation of tender.
  5. To acquaint the students with the significance of Cost Accounting.
  6. To enable students to learn and understand different methods of costing in Manufacturing and Service Industry.
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***C] Level of Knowledge*** – Working knowledge with application skill

***D] Medium of Instructions*** – English

***E] Instructions as to study and examinations*** –

- a) This subject shall be studied in English medium.
- b) The question paper shall be set in English, and the students shall answer the paper in English medium only.
- c) Out of the total marks in question paper, 40% marks will be allotted for theory questions and 60% marks will be for the practical problems.

***F] Course contents***

**UNIT 1**

1. Introduction :

Lectures 10

- (a) Cost Accountancy – Concept of Cost, Costing, Cost Accounting and Cost Accountancy

Objectives, Importance, scope, advantages, limitations of Cost Accounting, Essential Qualities of a good cost accounting system, factors to be considered for installing a cost accounting system, Relationship between cost accounting, financial accounting, and management accounting  
[Refreshing the concepts already covered at B Com programme]

- (b) Methods of Costing and Techniques of Costing –

**Methods** - Job Costing, Batch Costing, Contract Costing, Single/Output Costing, Process, Operating Costing (concepts only)

**Techniques** - Historical Costing, Standard Costing, Direct Costing, Absorption Costing, Marginal Costing, Uniform Costing (concepts only)

- (c) Activity Based Costing (ABC) – Concept, Features of ABC, benefits and weaknesses of ABC

## UNIT 2

2. Materials :

Lectures: 10

- a) Importance and objectives of materials control - Purchase procedure, Duties of Storekeeper, Perpetual inventory system and continuous stock taking
- b) Documentation in Purchasing, Storing, and Issuing materials - [1] Bill of Material, [2] Purchase Requisition, [3] Purchase Order, [4] Goods Received Note, [5] Material Requisition Note, [6] Materials Return Note, [7] Material Transfer Note, [8] Bin Card, [9] Store Ledger, [10] Stock Verification Report [ Study of concepts and formats of these documents]
- c) Accounting treatment of the following items in materials cost accounting - Carriage inward on raw materials, Cash discount received on purchase of materials, Insurance costs on stocks of raw materials, Storage losses namely waste, scrap, spoilage, and defectives
- d) Techniques of inventory control –
  1. Setting of Various Stock Levels – Maximum, Minimum, Average, Reorder levels.
  2. ABC Analysis
  3. Two-Bin System.
  4. Establishment of System of Budgets.
  5. Use of Perpetual Inventory Records and Continuous Stock Verification – Bin Card, Store Ledger.
  6. Determination of Economic Order Quantity.
  7. Review of Slow moving and Non-moving Materials and Stock Items.
  8. Use of Control Ratios – Input-output Ratio, Inventory Turnover Ratio.

*[Advanced practical problems on EOQ, including the EOQ when there is quantity discount; ABC analysis; Stock Levels; Store Ledger showing pricing of material issues - FIFO, LIFO, Simple Average, and Weighted Average rates of material issues including normal and abnormal loss of material ]*

## UNIT 3

3. Labour :

Lectures: 10

- a) Importance and objectives of control of labour cost – concepts of time keeping and time booking and their objectives
- b) Wage payment - Qualities of sound wage payment system, and scheme of incentives to workers
- c) Methods of wage payment  
Computation of wages under different methods of wage payment –
  1. Time Rate System,
  2. Piece Rate System –
  3. Differential Piece Rate System - Taylor's Differential Piece-Rate Plan, Merrick's Multiple Piece Rate Plan, Gantt's Task and bonus Plan, Emerson Efficiency Plan
  4. Incentive Wage Plans - Halsey Premium Plan, Rowan Premium Plan, Profit sharing and Co-partnership scheme
- d) Concepts of idle-time wages, over-time premium, and night-shift allowance, and their accounting treatment in cost accounting
- e) Labour turnover- meaning, causes, effects, measurement.

*[Advanced practical problems on wages computation under different methods of wage payment stated above including overtime premium, night-shift allowance and bonus; labour turnover rate using separation method, replacement method, and flux method]*

## UNIT 4

### 4. Overheads

Lectures 12

- (a) Meaning, and classification of overheads by function and by nature,
- (b) Accounting and control of manufacturing overheads – Collection, allocation, apportionment, primary and secondary distribution, absorption of overheads; Under-absorption and over-absorption of overheads
- (c) Accounting and control of Administrative overheads, and Selling & Distribution overheads,
- (d) Treatment of following items in cost accounting - Interest and financial charges, depreciation, packing expenses, fringe benefits, bad-debts, training expenses, canteen expenses, expenses of welfare activities, night-shift allowance.

*[Advanced practical problems on -*

- (i) *Primary distribution of overheads*
- (ii) *Secondary distribution of overheads – under Repeated distribution method and Simultaneous equation method.*
- (iii) *Absorption of overheads –  
Computation of various rates of absorbing overheads to various products or jobs – Machine-hour rate, Labour-hour rate, rate per unit of production, percentage of direct wages, percentage of prime cost,*
- (iv) *Computation of Machine-hour Rate from the given details ]*

## UNIT 5

### 5. Cost Sheet & quotations:

Lectures 06

- (a) Meaning of cost sheet; nature of cost sheet, its advantages and disadvantages
- (b) Preparation of cost sheet for ascertainment of cost and profit,
- (c) Quotation and tenders - concept, preparation of tenders, and quotations for jobs,

*[Advanced practical problems on*

- (1) *preparation of cost sheet showing aggregate costs and per unit cost, so as to judge the ability to distinguish between cost items and non-cost items given in the problem; and*
- (2) *preparation of tenders and quotations]*

## G] RECOMMENDED BOOKS AND REFERENCES

1. Basics of Cost Accounting by V. K. Saxena and C. D. Vashist - Sultan Chand & Sons, New Delhi
2. Cost Accounting – Problems and Solutions - V. K. Saxena and C. D. Vashist - Sultan Chand & Sons, New Delhi
3. Fundamentals of Cost Accounting by S N Maheshwari – Sultan Chand & Sons, New Delhi
4. Principles and Practice of Cost Accounting by N K Prasad
5. Cost Accounting by Jawaharlal – Tata McGraw Hill Publishing company Limited New Delhi
6. Cost Accounting Principles & Practice by Nigam & Sharma
7. Cost Accounting Principles & Practice by S P Iyenger
8. Cost Accounting Principles & Practice by P K Ghosh
9. Cost Accounting Principles & Practice by B S Khanna
10. Practical Costing (Self-Tutor) by Gauri Shankar - Himalaya Publishing House, Mumbai
11. Cost Accounting by Jain & Narang
12. Practical Costing by Ahuja , Khanna & Pandey
13. Cost Accounting by B K Bhar
14. Cost & Management Accounting [ For CS Inter] - V. K. Saxena and C. D. Vashist - Sultan Chand & Sons, New Delhi
15. Cost & Management Accounting [ For Stage II of ICWA Inter] - V. K. Saxena and C. D. Vashist - Sultan Chand & Sons, New Delhi
16. Cost and Management Accounting (Theory Problems and Solutions) by M N Arora – Himalaya Publishing House, Mumbai
17. Cost Accounting by Ravi M Kishore - Taxmann Allied Services Pvt Ltd
18. A Text Book (with in-built Compiler) on Cost Accounting by S. K. Aggarwal, Abha Aggarwal – Reliance Publications Ltd, Gurgaon



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**SEMESTER : II Specialization Paper : I**

**204 (B) Advanced Cost Accountancy**

**Semester Pattern: External Marks 60 + Internal Marks 40 = Maximum Total marks = 100 [Lectures: 48]**

**A] Title of Paper - Cost Accounting and Cost reporting System**

**B] Course Objectives**

**After studying this paper the student will be able to -**

7. understand the nature of cost accounting records maintained by manufacturing companies
8. understand the legal requirements regarding maintaining the cost accounting records and audit thereof
9. understand the nature of cost information system for presenting the cost data to the management

**C] Level of Knowledge – Working knowledge with application skill**

**D] Medium of Instructions – English**

**E] Instructions as to study and examinations –**

- d) This subject shall be studied in English medium.
- e) The question paper shall be set in English, and the students shall answer the paper in English medium only.
- f) Out of the total marks in question paper, 40% marks will be allotted for theory questions and 60% marks will be for the practical problems.

**F] Course contents -**

**UNIT 1**

**1. Cost Accounting Record Rules and Cost Audit-**

**Lectures 08**

- a) Companies (Cost Accounting Records) Rules, 2011(CARR) –
  - (i) Applicability of the CARR, concepts of production activity, processing activity, manufacturing activity and mining activity, turnover, cost records
  - (ii) Maintenance of cost records, benefits and limitations of maintaining cost records.
- b) Companies (Cost Audit Report) Rules 2011 -
  - (i) Cost audit - Concept of Cost Audit, Purpose of cost audit, Usefulness of Cost audit
  - (ii) Circumstances under which Cost Audit is ordered (Refer to provisions of Section 209(1)(d), Section 227(1), and Section 233B(1) of the Companies Act, 1956)
  - (iii) Implementing Authorities of Cost Audit, scope of Cost Audit, Advantages of Cost Audit,

**UNIT 2**

**2. Non-Integrated Cost Accounts :**

**Lectures 08**

- a) Books of Accounts in Cost Accounting - Books of original entry - Various subsidiary ledgers - Purpose of control accounts - Their nature and procedures of posting from subsidiary ledgers to control accounts - Double-entry accounting system as used in cost accounts.
- b) Preparation of ledger control accounts from a given set of transactions.

*[Advanced practical problems on ledger control accounts]*

### 3 Integral / Integrated Accounts:

Lectures 08

Meaning, nature, necessity – process followed in preparation of Integral accounts –  
Practical problems on preparation of integral accounts from a given set of transactions

*[Advanced practical problems on preparation of integrated accounts]*

### UNIT 3

#### 4. Reconciliation of Cost Accounts & Financial Accounts:

Lectures: 10

Need for reconciliation of profits as per financial accounts and as per Cost accounts, Procedures to be adopted in preparation of profit reconciliation statements - Ascertainment of profits as per financial accounts and Cost accounts, and reconciliation thereof

*[Advanced practical problems on ascertainment of profits as per financial accounts and Cost accounts, and reconciliation thereof]*

#### 5. Cost Information Systems & reporting

Lectures: 06

- a) Cost information needs at different levels of management - Requisite of an effective information system
- b) Forms of presentation - various reports - graphs, charts, tables, diagrams

*[Advanced practical problems preparation of graphs, charts, tables, diagrams]*

### UNIT 4

#### 6. Uniform Costing and Inter-firm comparison –

Lectures: 08

- a) Meaning of uniform costing, Reasons for differences in costs and costing practices from firm to firm, Application of Uniform Costing system, Objectives, Advantages and Limitations of Uniform Costing system, Essentials for success of uniform costing system, Fields for Uniformity, Uniform Cost Manual.
- b) Inter-firm comparison – Meaning, Objectives, Advantages and Limitations of Inter-firm comparison,

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19. Basics of Cost Accounting by V. K. Saxena and C. D. Vashist - Sultan Chand & Sons, New Delhi
20. Cost Accounting – Problems and Solutions - V. K. Saxena and C. D. Vashist - Sultan Chand & Sons, New Delhi
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