

**ALLAMA IQBAL OPEN UNIVERSITY ISLAMABAD
(Department of Business Administration)**

COST AND MANAGEMENT ACCOUNTING (5538)

CHECKLIST

SEMESTER: AUTUMN 2013

This packet comprises the following material:

1. Text Book (one)
2. Course Outlines
3. Assignment No. 1, 2
4. Assignment Forms (2 sets)

Please contact at the address given below, if you find anything missing in the packet.

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WARNING

- 1. PLAGIARISM OR HIRING OF GHOST WRITER(S) FOR SOLVING THE ASSIGNMENT(S) WILL DEBAR THE STUDENT FROM AWARD OF DEGREE/CERTIFICATE, IF FOUND AT ANY STAGE.**
- 2. SUBMITTING ASSIGNMENTS BORROWED OR STOLEN FROM OTHER(S) AS ONE'S OWN WILL BE PENALIZED AS DEFINED IN "AIOU PLAGIARISM POLICY".**

ASSIGNMENT No. 1

Course: Cost and Management Accounting (5538)
Level: MBA

Semester: Autumn 2013
Total Marks: 100

- Q. 1 (a) Discuss the scope of cost accounting? **(10)**
(b) What are the various uses of cost accounting data? **(10)**
- Q. 2 Records of ABC Company present the following data for month of June 2008:
Direct labor cost Rs.14000 (140% of FOH)
Cost of goods sold Rs.56000
Opening inventory of Raw material was Rs.8000 and closing inventory was Rs.8600. Opening inventory of work in process was Rs.8000 and closing inventory was Rs.12000.
Opening inventory of finished goods was Rs.14000 and closing inventory was Rs.18000.
You are required to prepare cost of goods sold statement. **(20)**
- Q. 3 (a) What is the relationship between carrying cost and ordering cost? **(10)**
(b) Following information is available in respect of a component:
Maximum limit 4200 units **(10)**
Estimated consumption Maximum 750 units per month
Minimum 400 units per month
Estimated lead time Maximum 2 months
Minimum 2 months
You are required to calculate reorder level and reorder quantity?
- Q. 4 Estimated fixed FOH of ABC Corporation is Rs.60,000 for normal capacity of 100,000 units. Variable rate for this capacity is Rs.2 per unit. Actual FOH is Rs.250,000 for 95,000 units produced.
Calculate the spending variance and volume variance.
Explain how the variances calculated can be helpful for management in the future. **(20)**

Q. 5 Following records of XYZ Company are available:
8,000 units were received from preceding department @ Rs.10 per unit. 7000 units were transferred to next department. 500 units are still in process. Abnormal loss is 300 units (100% complete).

Costs added by the department	
Material	Rs.40,000
Labor	35,000
F.O.H.	10,000

Degree of completion for in process inventory in as under:

40% of units are 50% complete

40% of unit are 25% complete

20% of units are 10% complete

Required: Prepare a Cost of Production Report.

(20)

GUIDELINES FOR ASSIGNMENT # 1

You should look upon the assignments as a test of knowledge, management skills, and communication skills. When you write an assignment answer, you are indicating your knowledge to the teacher:

- Your level of understanding of the subject;
- How clearly you think;
- How well you can reflect on your knowledge & experience;
- How well you can use your knowledge in solving problems, explaining situations, and describing organizations and management;
- How professional you are, and how much care and attention you give to what you do.

To answer a question effectively, address the question directly, bring important related issues into the discussion, refer to sources, and indicate how principles from the course materials apply. You must also be able to identify important problems and implications arising from the answer.

For citing references, writing bibliographies, and formatting the assignment, APA format should be followed.

ASSIGNMENT No. 2

Total Marks: 100

This assignment is a research-oriented activity. You are required to obtain information relating to any business or commercial organization, write a paper of about 10 pages on the topic allotted to you. The students are required to prepare two copies of Assignment # 2. Submit one copy to your tutor/teacher for evaluation and the second copy for

presentation in the workshop in the presence of your resource persons and classmates, which will be held at the end of the semester prior to final examination.

Include the following main headings in your report:

- i. Introduction to the topic
- ii. Important sub-topics
- iii. Practical study of the organization with respect to the topic
- iv. Review of theoretical and practical situations
- v. Merits, demerits, deficiencies or strengths of the organization with respect to topic under study
- vi. Conclusions and recommendations
- vii. Annex, if any

You may use transparencies, charts or any other material for effective presentation. You are required to select one of the following topics according to the last digit of your roll number. For example, if your roll number is D-3427185 then you will select topic number 5 (the last digit).

Topics

1. Financial statements of a manufacturing organization
2. Process costing applications in a manufacturing organization
3. Benefits of cost accounting information system
4. Applications of job order cost accumulation procedures
5. Procedure of material procurement and use
6. Overhead departmentalization in non-manufacturing business
7. Applications of cost volume profit concept
8. Uses of projected financial statements
9. Fixed overhead and absorption cost of product
10. Departmental overhead rates and variances

COST AND MANAGEMENT ACCOUNTING Course Outline (MBA-5538)

Unit 1: The Conceptual Framework

- 1.1. The Concept of Cost Management
- 1.2. The Organizational Chart, Planning and Control
- 1.3. The Scope of Cost Accounting
- 1.4. Distinction between Cost & Mgt Accounting with Financial Accounting
- 1.5. Uses of Cost Accounting Data
- 1.6. The Flow of Costs
- 1.7. Cost Accounting Principles and Practices

Unit 2: The Cost Accounting Systems

- 2.1. The Basics of Cost Accounting Information System
- 2.2. The Manufacturing Cost Accounting Cycle
- 2.3. Cost of Goods Manufactured Statement
- 2.4. Job Order Cost Accumulation Procedures
- 2.5. Process Costing
- 2.6. The Cost of Production Report
- 2.7. Difficulties Encountered in Process Costing

Unit 3: Material and Labor Costing

- 3.1 Material Procurement and Use
- 3.2 Material Costing Methods
- 3.3 Economic Order Quantity
- 3.4 Material Controls
- 3.5 Basics of Labor Cost Control
- 3.6 Labor Performance Reports
- 3.7 Recording Labor Costs
- 3.8 Incentive Wage Plans

Unit 4: Planning and Control of Factory Overhead

- 4.1 Factory Overhead (Pre-determined rate, applied & actual)
- 4.2 FOH Variance Analysis
- 4.3 The Concept of Departmentalization
- 4.4 Departmental Overhead Rates and Variances
- 4.5 Overhead Departmentalization in Non-Manufacturing Business

Unit 5: Cost Behavior – Analysis and Use

- 5.1 Cost Behavior Patterns
- 5.2 Variable Costs – Its Implications
- 5.3 Fixed Costs and Relevant Range
- 5.4 The Contribution Format
- 5.5 Cost Volume Profit Relationships
- 5.6 Cost Structure
- 5.7 Applications of (cost volume profit) CVP Concept
- 5.8 Break Even Analysis
- 5.9 The Margin of Safety

Unit 6: Budgeting

- 6.1. The Basic Framework of Budgeting
- 6.2. Difference between Planning and Control
- 6.3. Definition, Advantages of Budgets
- 6.4. Principles of Budgeting
- 6.5. The Budget Committee

- 6.6. The Master Budget – A Network of Inter-relationship
- 6.7. Sales, Production and Cash Budgets
- 6.8. Zero-based Budgeting
- 6.9. Projected Financial Statements
- 6.10. The Concept of Flexible Budget – Different Dimensions

Unit 7: Control through Standard Costs

- 7.1. Standard Cost Defined
- 7.2. Comparison of Budgets and Standards
- 7.3. Setting Standards – Ideal Versus Practical Standards
- 7.4. Variances, Calculation and Analysis
- 7.5. Responsibility and Control of Variances

Unit 8: Costs in Decision Making

- 8.1. The Absorption Vs Direct Costing
- 8.2. Fixed overhead and Absorption Cost of Product
- 8.3. Reconciliation of Direct Costing and Absorption Costing
- 8.4. The Contribution Approach
- 8.5. Cost Concepts for Decision Making
- 8.6. Identifying Relevant Costs
- 8.7. Make Versus Buy Decision
- 8.8. The Opportunity Costs

Unit 9: Activity Based Costing (ABC)

- 9.1. Limitations of Traditional Costing Systems
- 9.2. ABC Process
- 9.3. Activity Identification and Classification
- 9.4. Assigning Costs to Activities and Products
- 9.5. Comparison of ABC with Traditional Costing Systems

Recommended Books

	Title	Author	Publisher
1.	Cost Accounting – Planning and Control	Matz – Usury (Latest Edition)	National Book Foundation, Islamabad.
2.	Managerial Accounting (5 th Edition)	Ray H. Garrison	Irvine, USA.
3.	Cost Management Accounting and control	Hansen & Mowen	

