



Cost and Works Accountancy
Cost Accounting -II
[Discipline Specific Course]

Semester: V

***Credits: 4**

Subject Code: C52208

Lectures: 48

Course Outcomes:

At the end of this course, the learner will be able to:

- Corelate and apply the different methods of Overhead Absorption
- Discuss the significance of Activity Based Costing and Compare it with Absorption Costing
- Recognize the significance of Cost Reporting on Overheads
- Identify and analyze the reasons for difference in profits as per Cost and financial records and prepare a reconciliation statement

Unit 1: Overheads - II

12

- Overhead Absorption: Meaning, types of absorption rates
- Traditional Methods of Overhead Absorption
 - Percentage of Direct Material Cost: Meaning, applicability, advantages and disadvantages
 - Percentage of Direct Labour Cost: Meaning, applicability, advantages and disadvantages
 - Percentage of Prime Cost: Meaning, applicability
 - Direct Labour Hour Rate: Meaning, applicability, advantages and disadvantages
 - Machine Hour Rate: Meaning, applicability, types: Simple and Composite, advantages and disadvantages
 - Steps involved in calculation of machine hour rate
- Comprehensive problems and problems on Labour Hour Rate and Machine Hour Rate

Unit 2: Overheads – III

12

- Under and Over absorption of Overheads
 - Meaning and Reasons for Under and Over Absorption
 - Accounting Treatment
 - Simple problems on Under or Over Absorption
- Administrative and Selling & Distribution Overheads:
 - Apportionment and Absorption of Administrative Overheads
 - Apportionment and Absorption of Selling and Distribution Overheads
 - Simple problems on Apportionment of Selling and Distribution Overheads
- Cost Reporting

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- CAS 3: Production and Operation Overheads
- CAS 11: Administrative Overheads
- CAS 15: Selling and Distribution Overheads
- Treatment of special items of overheads in cost accounts
- Inadequacies of Traditional Methods of Overhead Absorption

Unit 3: Modern Method of Overhead Absorption

14

- Activity Based Costing for Overhead Absorption
 - Introduction, definition and applicability
 - Purpose and benefits of Activity Based Costing
- Steps in Activity Based Costing
 - Cost Drivers and Cost Pools
 - Calculation of cost driver rates
 - Problems on overheads absorption by Traditional Absorption Costing Vs Activity Based Costing

Unit 4: Reconciliation of Cost Accounting Records with Financial Accounts

10

- Meaning and Need for Reconciliation
 - Reasons for difference in profits of cost and financial accounts
- Procedure for Reconciliation: Understanding the formats of Reconciliation Statement
 - Problems on Reconciliation

#12 contact hours for Assignments, Visits, Research, Field Studies, etc.

*01 credit to be evaluated as a Skill-based Component

Recommended Basic Reading:

- Manash Dutta. *Cost Accounting Principles and Practice*. Pearson Education: Chennai; 2013

Recommended Reference Books:

- Rajasekaran, V. and Lalitha, R. *Cost Accounting*. Dorling Kindersley (India) Pvt. Ltd.: Delhi; 2011
- Arora, M.N. *Cost Accounting Principles and Practices*. VPH: New Delhi; 2012.
- Thukaram Rao, M.E. *Methods and Techniques of Costing*. New Age Publishers: New Delhi; 2011.
- Jawahar Lal and Seema Srivastava. *Cost Accounting*. McGraw Hill Education: New Delhi; 2013.

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- Jawahar Lal and Seema Srivastava, Manisha Singh. *Cost Accounting: Text, Problems and Cases*. McGraw Hill: New Delhi; 2019.
- Datar, Srikant M. and Rajan Madhav V. *Horngren's Cost Accounting*. Pearson Education: Chennai; 2017.
- Murthy A. and Gurusamy S. *Cost Accounting*. Vijay Nicole Imprints Pvt Ltd.: Chennai; 2014.
- Alex. *Cost Accounting*. Pearson Education India: Chennai; 2012.

Journals:

- The Management Accountant

Websites:

- <https://icmai.in/>
- <https://icmai.in/icmai/news/209.php>

E-resources:

- https://www.researchgate.net/publication/278245051_Overhead
- https://www.researchgate.net/publication/268041628_An_Improved_Methodology_For_Absorption_Costing_Efficiency_Based_Absorption_Costing_EBAC
- https://www.researchgate.net/publication/309398925_Activity-Based_Costing_ABC_-_An_Effective_Tool_for_Better_Management

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Cost Accounting -II
[Discipline Specific Course]

Semester: VI

*Credits: 4

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Lectures: 48

Course Outcomes:

At the end of this course, the learner will be able to:

- Recognize the different methods of Costing
- Compare the different methods of Costing
- Apply the costing methods to different manufacturing and service industries
- Prepare Cost Statements under different methods of costing

Unit 1: Methods of Costing : Job Costing

12

- Introduction to Methods of Costing
- Need and Types of Methods of Costing
- Job Costing: Meaning, features and advantages
 - Procedure: Job Order number, Production Order and Bill of Material
 - Problems on preparation of Job Cost Sheet
- Suitability of type of Layout for different manufacturing concerns.

Unit 2: Contract Costing

12

- Contract Costing: Meaning, Definition and Features
- Terms in Contract Costing
 - Work Certified and Work Uncertified
 - Retention Money
 - Cash Ratio
 - Cost Plus Contract
 - Profit on Incomplete Contracts
- Contract Costing Procedure: Journal entries in the books of Contractor, Format of Contract Account and Contractee Account under incomplete contracts
- Problems on Preparation of Contract Account and Contractee Account

Unit 3: Process Costing

12

- Meaning, definition, application and features
- Process Costing Procedure
 - Preparation of Process Accounts
 - Concept of Normal Loss and Abnormal Loss

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- Problems on process accounts to calculate cost per unit
- Work-in-Progress: Concept of Opening and Closing work in progress in a process
 - Accounting for Work in Progress: Introduction to equivalent production
 - Problems on Equivalent Production and preparation of Process Accounts

Unit 4: Operating (Service) Costing

12

- Meaning, definition, features and applicability
- Costing for Transport Services: Goods and Passenger
 - Cost Classification
 - Cost Unit-Simple and Composite
 - Problems on calculation of passenger kilometer and ton kilometer
 - Problems on preparation of Cost Sheet under Goods Transport
 - Problems on preparation of Cost Sheet under Passenger Transport
- Costing for Hotels
 - Cost Classification
 - Problems on calculation of room days
 - Problems on preparation of Cost Sheet under Hotel Services

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- <https://icmai.in/>
- <https://icmai.in/icmai/news/209.php>

E-resources:

- <http://oldgrt.lbp.world/colorArticles/3789.pdf>
- https://www.academia.edu/24871939/An_Analysis_of_Operating_Costs_of_star_Hotel_in_Pune_An_empirical_study

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