

504EA: Management Accounting – 1

Unit – I: (A) Overview:

Meaning and Definition of Management Accounting, Utility and limitations of Management Accounting, Techniques or Methods of Management Accounting, Limitations of Financial Accounting and Cost Accounting, Difference between Financial, Cost and Management accounting

(B) Opportunity cost approach to variances:

Ex-ante and ex-post standards; The opportunity cost of capacity variances and efficiency variances; Planning and operating variances; Unavoidable and possibly avoidable planning variances; Limitations of planning and operating variances.

Unit – II: Budgeting and Budgetary Control:

Budgeting concepts; Types of costs considered: Discretionary Costs; Engineered costs; Committed costs; Types of Budget: Appropriation Budget; Flexible Budget; Capital Budget and Master Budget; Forecast vs. Budget; Requirements of a sound Budgeting System; Limitations and problems in Budgeting; Purposes and benefits of a Master Budget; The assumptions of a Master Budget. Preparation of Sales or Revenue Budget, Plant Utilization Budget, Administrative Expenses Budget, Selling and Distribution Expenses Budget, Marketing Expenditure Budget, Research and Development Budget, Capital Expenditure Budget and Master Budget

Unit – III: Standard costing and variance analysis:

Computation and interpretation of cost and sales variances; Reconciliation of actual profit with the budgeted profit (Operating Statement); Cost accounting entries for variances; Pro- rating variances.

Unit – IV: Interpretation and investigation of variances:

Analyzing the significance of variances; Measuring results accurately; Interdependence between cost variances and sales variances; Efficiency standards; Inflation and price variances; Controllable and uncontrollable variances; When should variances be investigated; Cost-variance investigation models: a materiality significance model; a statistical significance model; a control chart model; a decision model with costs and benefits of investigation.

Notes:

(1) Practical problems carrying not less than 70% marks shall be asked. This percentage is inclusive of 20% weightage to be given to a multiple choice question divided into 5 sub-questions (at least one sub-question from each Unit shall be asked). The students are required to provide justification for selecting the correct option out of four options given for each MCQ.

(2) Questions from any Unit shall not be set in option of questions from any other Unit.

References:

1. Ravi M. Kishore; “Cost and Management Accounting”, Taxmann’s Publications
2. Jawahar Lal; “Advanced Management Accounting”, S.Chand Publications.
3. Paresh Shah; “Management Accounting”, Oxford Publications.