

UNIVERSITY OF KERALA

Four Year Undergraduate Programme (FYUGP) — B.Com

COST ACCOUNTING

Discipline	COMMERCE
Course Code	UK5DSCCOM302
Course Title	Cost Accounting
Type of Course	Discipline Specific Core (DSC)
Semester	V
Academic Level	300 – 399
Course Details	4 Credits Lecture: 3 hrs/week Tutorial: – Practical: 2 hrs/week Total: 5 hrs/week (75 Hours)
Pre-requisites	Basic knowledge of financial accounting principles and the preparation of final accounts.
Course Summary	This course enables learners to understand the concepts and framework of cost accounting and to apply costing techniques in a manufacturing environment. It develops the ability to prepare cost sheets, analyse material, labour and overhead costs, evaluate wage and incentive systems, and construct and reconcile cost accounts for managerial decision-making.

Detailed Syllabus

Unit	Content	Hrs
Module I: Introduction to Cost Accounting		15
1	Cost Accounting – Meaning, Definition, Objectives, Advantages and Limitations; Distinction between Cost Accounting, Financial Accounting and Management Accounting	2
2	Cost Concepts – Cost, Costing, Cost Accountancy; Cost Centre and Profit Centre; Cost Unit; Classification of Cost – by Nature, by Function, by Behaviour and by Controllability	2
3	Cost Accounting Standards (CAS) – Need and Importance; Overview of select CAS issued by the Institute of Cost Accountants of India	2
4	Elements of Cost – Material, Labour and Overhead; Cost Sheet – Format and Preparation; Tender and Quotation based on Cost Sheet; Treatment of Opening and Closing Stock in Cost Sheet	4
Practicum Visit a nearby manufacturing unit (bakery, printing press, furniture unit or engineering workshop); collect expense data; classify costs into Prime Cost, Factory Overheads, Office and Administration Overheads, and Selling and Distribution Overheads; prepare a simple Cost Sheet. OR		5

Select a commonly used product (chair, notebook, candle or garment); estimate Material Cost, Labour Cost, Overheads and Selling Expenses; prepare a detailed Cost Sheet and compute the profit margin.		
Suggested Activities - Prepare a structured comparison chart distinguishing Cost Accounting, Financial Accounting and Management Accounting on the basis of purpose, users, nature of data and statutory requirement. - Download the published Cost Statement of a listed manufacturing company from its Annual Report; identify and classify each line item into the appropriate element of cost; present findings in class.		
Module II: Accounting and Control of Material Cost		15
5	Material – Meaning, Direct and Indirect Material; Purchase Procedure – Purchase Requisition, Purchase Order, Goods Receipt Note, Inspection; Methods of Material Control – Economic Order Quantity (EOQ), Just-in-Time (JIT), Re-order Level, Minimum Level, Maximum Level and Danger Level	3
6	Storage Control – Bin Card, Stores Ledger; Methods of Pricing of Issue of Materials – FIFO, LIFO, Simple Average and Weighted Average	3
7	Material Consumption Control – ABC Analysis, VED Analysis and FSN Analysis; Material Losses – Normal and Abnormal Waste, Scrap, Spoilage and Defectives	2
8	Inventory Systems – Perpetual Inventory Control System, Continuous Stock Taking and Periodic Stock Taking	2
Practicum - EOQ Computation: using data collected from a retail shop or small manufacturing unit (annual demand, ordering cost, carrying cost), calculate the Economic Order Quantity; vary one parameter and analyse the effect on total inventory cost. OR - Stores Ledger Exercise: divide the class into four groups; each group receives the same set of purchase and issue transactions; Group 1 – FIFO, Group 2 – LIFO, Group 3 – Simple Average, Group 4 – Weighted Average; prepare the Stores Ledger, compare closing stock values and cost of materials issued, and analyse reasons for differences.		5
Suggested Activities - Prepare a comparison table of FIFO, LIFO, Simple Average and Weighted Average methods showing their effect on the cost of materials issued and closing stock value under conditions of rising and falling prices. - Visit a nearby supermarket or warehouse; observe how materials are stored and issued; identify the inventory control method being followed; prepare a brief report linking it to the ABC, VED or FSN classification framework.		
Module III: Accounting and Control of Labour Cost		15
9	Labour – Meaning, Direct Labour and Indirect Labour; Methods of Time Recording – Time Keeping and Time Booking; Attendance and Payroll Preparation; Overtime	2
10	Systems of Wage Payment – Time Rate System, Piece Rate System; Differential Piece Rate Systems – Taylor's Differential Piece Rate System and Merrick's Differential Piece Rate System	3
11	Incentive Wage Payment Plans – Halsey Premium Plan, Halsey Weir Plan and Rowan Plan; Computation of Earnings and Efficiency Bonus; Idle Time – Causes and Accounting Treatment; Labour Turnover – Causes and Effects	3
Practicum		

	- Wage Computation Exercise: divide the class into three groups using the same set of data (time allowed, time taken and wage rate); Group A applies the Halsey Plan, Group B the Halsey Weir Plan and Group C the Rowan Plan; compute earnings for each plan, compare results and determine under which conditions each plan benefits the employee and the employer. OR - Collect wage-related data from a local workshop or service establishment; classify labour into Direct and Indirect Labour; identify the wage payment system in use; compute labour cost per unit and suggest an appropriate incentive scheme.	7
	Suggested Activities - Prepare a comparative chart of Taylor's and Merrick's Differential Piece Rate systems showing the slab structure, earnings at different efficiency levels and the managerial implications of each system. - Case study on Labour Turnover: given data on the number of workers who left and were replaced during a year, compute the Labour Turnover Rate using the Separation Method, Replacement Method and Flux Method; analyse the cost implications and suggest remedial measures.	
Module IV: Accounting for Overheads		15
12	Overheads – Meaning, Classification by Nature (Fixed, Variable, Semi-variable), by Function (Production, Administration, Selling and Distribution) and by Behaviour; Importance of Overhead Control	2
13	Allocation and Apportionment of Overheads – Distinction; Bases of Apportionment; Primary Distribution Summary; Re-apportionment of Service Department Costs – Direct Method, Repeated Distribution Method, and Step Method	3
14	Absorption of Overheads – Meaning and Methods: Percentage on Direct Material Cost, Percentage on Direct Labour Cost, Percentage on Prime Cost, Direct Labour Hour Rate and Machine Hour Rate; Computation of Overhead Absorption Rate	3
15	Under-absorption and Over-absorption of Overheads – Causes and Accounting Treatment; Activity Based Costing (ABC) – Concept, Cost Drivers and Allocation of Overheads under ABC	2
Practicum		
	- Overhead Distribution Exercise: using data from two similar production units (e.g., two canteens, two workshops or two bakeries), prepare a Primary Distribution Summary; re-apportion service department overheads using the Direct Method; compare cost structures and identify reasons for differences. OR - Machine Hour Rate Computation: collect data from a small manufacturing unit on machine-related overheads (depreciation, power, repairs, insurance); compute the Machine Hour Rate; determine the overhead charged to a specific job and compare with actual overhead incurred.	5
Suggested Activities		
	- Prepare a worked illustration comparing the Repeated Distribution Method and the Direct Method of overhead re-apportionment using the same data set; evaluate which method gives a more equitable result and discuss when each method is appropriate. - Seminar on Activity Based Costing: identify two or three cost drivers relevant to a chosen business (e.g., a college canteen or a printing press); allocate overheads using ABC and compare the result with traditional absorption; discuss the managerial implications of the difference.	
Module V: Costing Systems and Reconciliation [CCA Only]		15
16	Installation of a Costing System – Considerations and Steps; Essentials of a Good Costing System; Obstacles in Installing a Costing System and How to Overcome Them	2
17	Tender and Quotation – Meaning and Purpose; Preparation of a Cost Estimate; Loading of Profit; Preparation of Tenders and Quotations using Cost Sheet data	3

18	Integrated Accounts – Meaning, Features and Advantages; Non-integrated (Interlocking) Accounts – Meaning and Features; Cost Ledger Accounts under Non-integrated System; Reconciliation of Cost and Financial Accounts – Need, Reasons for Differences in Profit, Preparation of Reconciliation Statement	3
Practicum - Tender Preparation: using cost data of a local service provider (caterer, carpenter or printer), prepare a Cost Sheet and calculate the selling price for a specific order by loading an appropriate profit margin; present the completed Tender/Quotation document. OR - Reconciliation Exercise: given a set of financial account and cost account data with differences arising from items such as interest on capital, donations, income tax and opening stock valuation, prepare a Memorandum Reconciliation Statement showing the reasons for the difference in profit.		7
Suggested Activities - Identify a medium-sized business in the local area that currently uses only financial accounting; prepare a brief consultancy report recommending the installation of a costing system, covering the steps involved, the type of system suitable, and the expected benefits. - Group discussion: distinguish between Integrated and Non-integrated accounting systems; prepare a comparison chart covering the nature of accounts maintained, the ledgers involved, the advantages and the types of organisations for which each system is appropriate.		
Total Instructional Hours		75

References

Text Books

- Jain, S. P., & Narang, K. L. Advanced Cost Accounting. Kalyani Publishers, New Delhi.
- Prasad, N. K. Advanced Cost Accounting. Book Syndicate Pvt. Ltd., Kolkata.
- Khan, M. Y., & Jain, P. K. Advanced Cost Accounting. Tata McGraw-Hill, New Delhi.

Standard Reference Books

- Thulsian, P. C. Practical Costing. Vikas Publishing House, New Delhi.
- Arora, M. N. Principles and Practice of Cost Accounting. Vikas Publishing House, New Delhi.
- Nigam, B. M., & Jain, K. Cost Accounting. PHI, New Delhi.
- Maheswari, S. N. Cost and Management Accounting. Sultan Chand & Sons, New Delhi.
- Horngren, C. T., Datar, S. M., & Rajan, M. V. Cost Accounting: A Managerial Emphasis (16th ed.). Pearson.

Journals, Reports and Web Resources

- Institute of Cost Accountants of India – Cost Accounting Standards – <https://www.icmai.in>
- ICAI – Study Material on Cost and Management Accounting – <https://www.icai.org>
- Ministry of Corporate Affairs – Cost Audit Reports – <https://www.mca.gov.in>

Course Outcomes (COs)

No.	Upon completion of the course the graduate will be able to:	Cognitive Level	PSO Addressed
CO1	Explain the concepts of cost and costing and the framework of cost accounting, including cost centres, cost units and cost classification.	U	PSO-3, 11
CO2	Prepare cost sheets, tenders and quotations for a manufacturing organisation by applying the elements of cost.	C	PSO-3, 11
CO3	Analyse the effect of different material pricing methods on the cost of materials issued and the valuation of closing stock.	An	PSO-3, 11

No.	Upon completion of the course the graduate will be able to:	Cognitive Level	PSO Addressed
CO4	Evaluate the systems of wage payment and incentive plans for a manufacturing concern.	E	PSO-3, 11
CO5	Apply the methods of overhead allocation, apportionment and absorption to determine the overhead cost of products.	Ap	PSO-3, 11
CO6	Prepare reconciliation statements of cost and financial accounts, Construct cost accounts under integrated and non-integrated systems and reconcile cost and financial accounts.	C	PSO-3, 11
R – Remember U – Understand Ap – Apply An – Analyse E – Evaluate C – Create			

Note: 1 or 2 COs per module.

CO – PO/PSO, Cognitive Level and Knowledge Category							
Name of the Course: Cost Accounting Credits: 3 : 0 : 1 (Lecture : Tutorial : Practical)							
CO No.	CO	PO / PSO	Cognitive Level	Knowledge	Module	L / T	P
CO1	Explain the concepts of cost and costing and the framework of cost accounting, including cost centres, cost units and cost classification.	PSO-3, 11	U	F, C	M I	L	P
CO2	Prepare cost sheets, tenders and quotations for a manufacturing organisation by applying the elements of cost.	PSO-3, 11	C	P, M	M I, V	L	P
CO3	Analyse the effect of different material pricing methods on the cost of materials issued and the valuation of closing stock.	PSO-3, 11	An	C, P	M II	L	P
CO4	Evaluate the systems of wage payment and incentive plans for a manufacturing concern.	PSO-3, 11	E	C, P	M III	L	P
CO5	Apply the methods of overhead allocation, apportionment and absorption to determine the overhead cost of products.	PSO-3, 11	Ap	P	M IV	L	P
CO6	Prepare reconciliation statements of cost and financial accounts, Construct cost accounts under integrated and non-integrated systems and reconcile cost and financial accounts.	PSO-3, 11	C	P, M	M V	L	P
Cognitive Levels: R – Remember U – Understand Ap – Apply An – Analyse E – Evaluate C – Create						Knowledge: F – Factual C – Conceptual P – Procedural M – Metacognitive	

Mapping of COs with PSOs

CO \ PSO	PSO 1	PSO 2	PSO 3	PSO 4	PSO 5	PSO 6	PSO 7	PSO 8	PSO 9	PSO 10	PSO 11	PSO 12	PSO 13	PSO 14
CO2	=	=	3	=	=	=	=	=	=	=	3	=	=	=
CO3	-	-	2	-	-	-	-	-	-	-	3	-	-	-
CO4	-	-	2	-	-	-	-	-	-	-	2	-	-	-
CO5	-	-	3	-	-	-	-	-	-	-	3	-	-	-
CO6	-	-	2	-	-	-	-	-	-	-	3	-	-	-
Correlation: (-) No correlation 1 – Mild 2 – Moderate 3 – Strong														

Mapping of COs with POs

CO \ PO	PO1	PO2	PO3	PO4	PO5	PO6	PO7	PO8
CO1	2	-	-	-	-	1	-	-
CO2	2	2	1	-	-	-	-	-
CO3	2	3	-	-	-	-	-	-
CO4	2	2	-	-	-	-	-	-
CO5	2	2	1	-	-	-	-	-
CO6	2	2	-	-	-	1	-	-
Correlation: (-) No correlation 1 – Mild 2 – Moderate 3 – Strong								

Assessment Rubrics

Assessment tools: Quiz / Assignment / Discussion / Seminar / Case Study / Activity / Internal Examination / Project / End Semester Examination

	Internal Exam	Assignment	Project / Case Study	End Semester Exam
CO1	✓			✓
CO2	✓		✓	✓
CO3	✓	✓	✓	✓
CO4	✓	✓		✓
CO5	✓		✓	✓
CO6	✓		✓	

Assessment Pattern

Component	Basis / Assessment Tools	Marks
THEORY COMPONENT — 3 Credits	(Total: 60 Marks) CCA : ESE = 30 : 70	
CCA – Theory – All Modules (I–V)		18
Formative Assessment – Theory (FA)	Analyse the effect of different material pricing methods on the cost of materials issued and the valuation of closing stock.	9
Summative Assessment – Theory (SA)	Internal examination conducted after a defined instructional period; the score is converted to 9 marks. FA and SA carry equal weightage.	9
ESE – Theory (Modules I–IV only)		42
Written Examination	2 hours – covering Modules I, II, III and IV only	42
Sub-total – Theory		60
PRACTICAL COMPONENT — 1 Credit	(Total: 20 Marks) CCA : ESE = 40 : 60	
CCA – Practical – All Modules (I–V)		8
Formative Assessment – Practical (FA)	Continuous assessment of practicum exercises across all modules; recorded in the practicum portfolio.	4
Summative Assessment – Practical (SA)	Practical viva or structured demonstration conducted after a defined practicum period. FA and SA carry equal weightage.	4
ESE – Practical		12
Practical Examination	Practical examination / project presentation – 30 minutes.	12
Sub-total – Practical		20
Grand Total		80

Notes:

- Total marks: 80 (4-credit course: 3 theory credits + 1 practical credit). Theory – 60 marks (CCA : ESE = 30 : 70); Practical – 20 marks (CCA : ESE = 40 : 60).
- Theory Formative Assessment (FA) and Theory Summative Assessment (SA) carry equal weightage of 9 marks each within Theory CCA (18 marks).
- Theory ESE: 2-hour written examination covering Modules I–IV only (42 marks). Module V is assessed through Theory CCA only.
- Practical FA (4 marks) and Practical SA (4 marks) carry equal weightage within Practical CCA (8 marks).
- Practical ESE (12 marks): a 30-minute practical examination or project presentation.