

Course: Major
Title of the Course: Basics of Costing

Semester: I	Credits: 4	Subject Code: CMAJCWA123114	Lectures: 60
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Course Outcomes:

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

- CO1 - Enumerate the basic concepts relating to Cost Accounting
- CO2 - Detail out the theoretical concepts in the course
- CO3 - Classify Costs for a given business entity
- CO4 - Illustrate the elements of Cost for a given business entity
- CO5 - Calculate the relevant costs through numerical problems
- CO6 - Analyze the business entity's requirements from Cost Accounting perspective

Unit 1: Introduction to Cost Accounting

15

- Definition, scope, objectives and significance of Cost Accounting
- Relationship between Cost Accounting, Financial Accounting and Management Accounting
- Advantages and Limitations of Cost Accounting
- Cost Objects, Cost Centre and Cost Units
- Elements of Cost
- Installation of Cost Accounting System
- Role of Cost Accountants in an Organization
- Introduction to Cost Reporting, CASB, Cost Accounting Standards

Unit 2: Classification of Costs

15

- CAS -1
- Classification by Nature of Expense- Labour, Material, Expenses
- Classification by Relation to Cost Centre -Direct, Indirect
- Classification by Functions-Production, Administration, Research and Development, Selling, Distribution
- Classification based on Behaviour-Fixed, Variable, Semi-Variable
- Classification based on Costs for Management Decision Making - Marginal Cost, Differential Cost, Opportunity Cost, Replacement Cost, Sunk Costs, Normal Cost and Abnormal Cost, Controllable and Non-Controllable Costs
- Classification by nature of Production or Process- Batch Costing, Process Costing, Operation Cost, Operating Cost, Contract Costing, Joint Costs, By-product Cost
- Classification by Time-Historical Costs, Predetermined Costs, Standard Costs, Estimated Costs
- Assignment: Identifying the Cost Centres, Cost unit and Classifying the costs for a small business entity

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Unit 3: Labour as an element of Cost	15
<ul style="list-style-type: none"> ● Introduction and Importance of labour cost as an element of cost ● Cost Reporting- CAS 7- Employee Cost ● Role of Departments related to Labour Cost Control- HR department, Engineering department, Time keeping department, Payroll department and Cost Accounting department ● Elements of Labour Cost: Direct and Indirect Labour Cost ● Time Records -Time Keeping and Time Booking-Meaning; Difference and Methods ● Cost of Idle Time: Meaning, Causes of Normal and Abnormal idle time ● Cost of Over Time: Meaning, Causes of Overtime ● Leave Pay and Fringe Benefits ● Introduction to Payroll Accounting 	

Unit 4: Labour Accounting and Control	15
<ul style="list-style-type: none"> ● Principles of Good Wage System ● Wage Payment Methods- Time Rate System and Piece Rate System -Advantages; disadvantages, applicability and Calculation of Earnings ● Taylors Differential Piece Rate System- applicability and Calculation of Earnings ● Incentive Plans-Meaning and Significance, Halsey Premium Plan: Calculation of Earnings, Rowan Premium Plan: Calculation of Earnings ● Labour Turnover - Avoidable and Unavoidable reasons ● Labour Turnover Ratio- Meaning, Causes and Effects, Measurement - Separation, Replacement and Flux Method (Theory and Numerical) 	

Recommended Text Books:

- M N Arora. *A Text Book of Cost and Management Accounting*. 10th Edition, S Chand Publishers: New Delhi; 2019.
- Manash Dutta. *Cost Accounting: Principles and Practice*. 1st Edition, Pearson: New Delhi; 2003.
- A. Murthy & S. Gurusamy, *Cost Accounting*. Vijay Nicole Imprints Private Limited: Chennai; 2014.



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Reference Books:

- M. N. Arora. *Cost Accounting Principles and Practice*. Twelfth Edition, Vikas Publishing House Pvt. Ltd.: New Delhi; 2013.
- V.Rajasekaran & R. Lalitha. *Cost Accounting*. Pearson: New Delhi; 2011.
- S.P. Jain & K.N. Narang. *Cost Accounting*. 23rd Revised Edition, Kalyani Publishers: New Delhi; 2012.
- Bhar B.K. *Cost Accounting Methods & Problems*. 16th Edition, Academic Publishers: Kolkata; 2005.
- B.S. Khanna & I.M. Pandey. *Practical Costing*. S. Chand & Company Ltd. New Delhi; 1999.

Websites:

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

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