

Course Code	<b>CM010401</b>
Title of the Course	<b>ADVANCED COST AND MANAGEMENT ACCOUNTING</b>
Semester	<b>Three</b>
Type	<b>Core</b>
Credits	<b>4</b>
Hours	<b>6 per week and Total 108</b>

## Objective of the Course

To enable the learner to apply principles and techniques of Cost and Management Accounting in decisions making situations.

Course Outcome No.	Expected Course Outcome	Cognitive Level	Programme Specific Outcome Linkage
1.	Apply Activity Based Absorption Methods instead of Conventional Absorption Method.	Apply	<b>PS01, 2</b>
2.	Apply the Marginal Costing Principles in Decision Making Situations of Businesses.	Apply	<b>PS01, 2</b>
3.	Dealing with Practical Cases of Pricing Decisions in Different Situations	Evaluate	<b>PS01, 2</b>
4.	Understand the Concepts of Standard Costing, and the Process of Cost Control through it.	Understanding and apply	<b>PS01, 2</b>
5.	Deal with the Practical Issues Related to Transfer Pricing	Apply	<b>PS01, 2</b>

## Unit wise Arrangement of the Course

Module	Sl. No. of Units	Contents of the Unit	Remarks
<b>Module 1. Activity Based Costing–25 hours</b> ✓			
	1.1	Meaning–Definition–Purposes of ABC–Cost Object–Cost Drivers	Theory only

1	1.2	Steps involved in installation of ABC System—Stages involved in Activity Based Cost—Difference between Traditional Absorption Costing and ABC	Theory and Problems
	1.3	Areas in which ABC information is used in Decision Making—Activity Based Cost Management—Benefits	Theory only
	1.4.	Business Applications of Activity Based Cost Management—Product Costing Under ABC	Problem and Theory
	1.5.	Preparation of Cost and Profit Statement under Traditional and ABC	Problem and Theory
	1.6	Activity Based Variance Analysis and Budgeting	Problem and Theory
	1.7	Direct Product Profitability—Customer Profitability Analysis.	Problem
<b>Module 2 -Marginal Costing and Applications—25 hours</b>			
2	2.1.	Marginal Costing—Marginal Costing Equation—Break-even Point—Profit Volume Ratio—Advantages and Limitations of Marginal Costing	Problem and Theory
	2.2	Cost Volume Profit Analysis—Computation of PV Ratio and Break Even Point	Problems and Theory
	2.3	Make or Buy Decision—Margin of Safety—Effect of Change of Sale Price on Overall BEP—Effect of Change in Product Mix on BEP and PV Ratio	Problems and Theory
	2.4	Indifference Point Computation—Shut down Point—Impact of Incremental Contribution Analysis	Problems
	2.5	New Product Launch—Export Order Identification.	Problems and Theory
<b>Module 3: Pricing Concepts and Decisions—15 hours</b>			
3	3.1	Pricing Methods—Cost Plus Pricing—Pricing to Earn Targeted Profit—Variable Cost Pricing—Situations where MCP is applied	Problems and Theory
	3.2	Incremental Pricing—Conversion Cost Method—Efficiency Curve Method Sealed Bid Pricing -Going Rate Pricing	Problems and Theory
	3.3	New Product Pricing Strategies—Skimming Price Policy—Penetration Strategy	Problems and Theory
	3.4	Distributor Discount and its impact on Profitability—Pareto Analysis—Export Offer Pricing.	Problems and Theory
<b>Module 4: Standard Costing—13 hours</b>			
4	4.1	Standard Cost—Meaning and Definition—Std. Costing as a Control Process—Types of Standards—Variance—Process of Standard Costing—Advantages and Limitations of Standard Costing.	Theory only
	4.2	Material Cost Variance- Price Variance—Usage Variance—Mix Variance—Yield Variance	Theory and Problem
	4.3	Labour Cost Variance—Labour Rate Variance—Labour Hour Variance—Labour Mix Variance—Idle Time Variance	Theory and Problem

<b>Module 5: Transfer Pricing—30 hours</b>			
<b>5</b>	5.1	Concept of Transfer Pricing—Objectives—Criteria for setting Transfer Prices	Theory only
	5.2	Cost Based TP—Market Price Based TP—Negotiated TP	Theory and Problems
	5.3	Negotiated Transfer Pricing—Advantages and Limitations, Pre conditions for Negotiated Transfer Pricing—Meaning, Advantages and Limitations of Dual Rate TP System—Two Part Transfer Pricing	Theory and Problems
	5.4	Problems involving same TP but Different Output Levels—Divisional Profit Analysis	Problems
	5.5	Preparation of Profit Statement when different TPs and Different output levels -Impact of Opportunity Cost on TPs.	Problems

### **Suggested Assignments**

1. Present a comparison of traditional absorption techniques and ABC based on a practical situation.
2. Comparison of Profit Statement under Absorption Costing and Marginal Costing.
3. Calculation of Variances in a Practical Situation

### **Additional References**

1. Study Material of IPCC and Final- ICAI
2. Study Material of ICMA

### **Break up of Theory and Problems for Examination**

Section A—5 Theory 5 Problems

Section B—3 Theory 5 Problems

Section C—1 Theory and 3 Problems