



**COST
ACCOUNTING
– PAPER IV**

SEMESTER VI

SYLLABUS OBJECTIVES

- To make them understand concept of budgeting and tools of budgetary control.
- To aware them of absorption costing, marginal costing, cost volume and profit analysis.
- To understand students about managerial decision making.
- To understand students about standard costing and variance analysis.



MODULES AT A GLANCE

- 1 Budgeting and Budgetary Control
- 2 Absorption Costing and Marginal Costing
Cost Volume and Profit Analysis
- 3 Managerial Decision Making
- 4 Standard Costing and Variance Analysis



1 BUDGETING AND BUDGETARY CONTROL

- Meaning & objectives, Advantages and limitations of budgets
- Functional budgets, fixed and flexible budgets
- Zero base budgeting, performance budgeting
- *Simple practical problems of preparing flexible budgets and functional budgets*



2 **ABSORPTION COSTING AND MARGINAL COSTING, COST VOLUME AND PROFIT ANALYSIS**

- **Absorption Costing and Marginal Costing**
- Meaning of absorption costing,
- Introduction to marginal costing
- Distinction between absorption costing and marginal costing
- Advantages and limitations of marginal costing
- **Cost Volume and Profit Analysis**
- Break even analysis meaning and graphic presentation
- Margin of safety
- Key factor
- *Simple practical problems based on using the marginal costing formulae*



3 MANAGERIAL DECISION MAKING

- Make or buy
- Sales mix decisions
- Exploring new markets
- Plant shut down decision
- *Simple practical problems*



4 STANDARD COSTING AND VARIANCE ANALYSIS

- Preliminaries in installing of a standard cost system
- Material Cost variance
- Labour cost variance
- Variable overhead variances
- Fixed Overhead variances
- Sales variances
- *Simple practical problems*



SUBJECT OUTCOMES

- Prepare various types of budgets depending upon the types of activities.
- Understand the concepts of absorption costing, marginal costing, and cost volume and profit analysis.
- Take decision like make or buy, appropriate sales mix on the basis of analytical costing methods.
- Find material, labour, sales and overhead variances.

