

Management Accounting

ACC 531

Credit hrs. 2

Lecture hrs. 32

Semester II

Course Description

This course comprises conceptual foundation of management accounting; Classification and segregation of costs as well as allocation, apportionment and absorption of overhead cost using traditional and ABC methods for managerial decisions. It also deals income statement under variable and absorption costing technique, standard costing system with material and labour cost variance, flexible budgeting under different levels of activities, overhead cost variance, preparation of functional and financial budget in a manufacturing/non-manufacturing concern, decision regarding alternative choices and so on. The primary objective of this course is to provide students with an understanding of the concepts, tools and techniques of management accounting and their application in managerial decision making.

Learning Outcomes

Upon the completion of the course, students should be able to:

- Develop conceptual framework for managerial application of accounting information
- Use accounting information appropriately for decision making
- Analyze the behavior of cost for managerial purpose
- Analyze cost, volume and profit relationship and use for profit planning and control
- Make tactical decisions in an organization
- Apply technique of budgeting in manufacturing and non-manufacturing organization to plan and control profit.

Course Details

- Unit 1: Conceptual Framework for Managerial Accounting 2 hrs.
Concept, objectives, functions, scope and limitations of management accounting; Relationship of management accounting with financial accounting and cost accounting; Managerial use of accounting information.
- Unit 2: Cost Behavior Analysis 6 hrs.
Cost concept and classification; Segregation of semi-variable cost using two-point method and regression method, measurement of correlation, coefficient of determination, standard error, standard error of coefficient and testing of significance for decision making purpose. Concept and ascertainment of total cost and profit under traditional costing and activity-based costing.
- Unit 3: Income Measurement and Reporting 5 hrs.
Income measurement under variable and absorption costing; Causes of differences; Effect of

inventories of work in progress and finished stock; Effect of FIFO and LIFO; Standard costs, actual costs and income statements; Income statements under uncertainty.

Unit 4: Profit Planning for Short term Decisions 8 hrs.

Cost volume profit analysis: Concept, objectives, assumptions, limitations and techniques; Profit planning of multi-product firms, Risk and uncertainty in profit planning; Concept, need and objectives of short term decisions in business; Cost concept for decision making: Relevant and Types of decisions: Drop or continue, special offer / order, make or buy and sell or further process.

Unit 5: Management for Planning & Control 11 hrs.

Concept, importance and objectives of budgeting; Preparation and presentation of functional and master budget; Standard costing and control of material and labor under certain and uncertain situations; Flexible budget and overhead cost control.

Suggested Readings

- Garrison, R. H., Noreen, E. W. & Brewer, P. C., *Managerial Accounting*, New Delhi: McGraw-Hill Companies.
- Lynch, R. M. & Williamson, R. W., *Accounting for Management Planning & Control*, New Delhi: Tata McGraw Hill.
- Kishore M. R., *Cost and Management Accounting*, New Delhi: Taxman Allied Services.

Note: Latest edition of the suggested readings will be used and the faculty may recommend additional reading materials.
