



As per new syllabus of University of Mumbai

# COST ACCOUNTING

INTRODUCTION AND BASIC CONCEPTS

(FINANCIAL ACCOUNTING AND AUDITING PAPER-VI)



MINAXI A RACHCHH  
GUNVANTRAI A RACHCHH

# Cost Accounting – Introduction and Basic Concepts

*(Financial Accounting and Auditing Paper-VI)*



# **Cost Accounting – Introduction and Basic Concepts**

*(Financial Accounting and Auditing Paper-VI)*

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# Preface

We have great delighted in placing this book of “Cost Accounting – Introduction and Basic Concepts” in hands of T.Y.B.Com students of University of Mumbai. This book in the present form is intended to provide comprehensive coverage of the syllabus prescribed by the University of Mumbai.

This book covers the topics as mentioned in the syllabus for the subject in simple and lucid style. Due consideration has been given on practical questions. Variety of problems on each topic has also been included.

The special features of this book are two pronged, firstly, in each topic the practical illustrations are divided into different types to understand the topic easily and secondly, in each chapter, theoretical questions are given with answers.

This book is divided into two parts; first part covers the theory and the problems on each topic and second part covers University Problems with solution for every chapter.

This book has been specially designed to help the students and readers to understand and get acquainted with practical application of each topic. This book adopts the approach/s for solving the problems as mentioned in the syllabus. A large number of problems have been solved, keeping in view the difficulties encountered by the students in understanding the subject. Problems have been framed to suit the requirements of the examinations keeping in view the trend followed. Hence simple, brief yet difficult problems expected in the subject and the level of knowledge expected of the students has been kept in mind while framing the problems. Our experience in practical and academic field helps us to give our best to the students and reader. Exercises at the end of each chapter have been provided which would help the students to develop sufficient confidence in facing the examinations. It is earnestly hoped that the students preparing for the examination on the subject would find it most useful and would be immensely benefited. The teachers would find it as a good companion book for their reference and discussion in the class.

We express deep sense of gratitude to Mr. Nilabhra Poddar and the whole team of Publishing Company for encouragement and for bringing out the first edition of this book.

Suggestions for the improvement of this book are most welcome.

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# Syllabus

Revised Syllabus and Question Paper Pattern of Courses of B.Com. Programme at  
T.Y.B.Com. Semester V with Effect from the Academic Year 2014–2015

## MODULES AT A GLANCE

Sr No	Modules	No of Lectures
1	Introduction to Cost Accounting	05
2	Material Cost	10
3	Labour Cost	10
4	Overheads	10
5	Classification of Costs And Cost Sheets	15
6	Reconciliation of Cost and Financial Accounts	10
	<b>Total</b>	<b>60</b>

Sr No	Modules/Units
<b>1</b>	<b>Introduction to Cost Accounting</b> (a) Objectives and scope of Cost Accounting (b) Cost centers and Cost units (c) Cost classification for stock valuation, Profit measurement, Decision making and control (d) Coding systems (e) Elements of Cost (f) Cost behavior pattern, Separating the components of semi- variable costs
<b>2</b>	<b>Material Cost</b> (i) Procurement procedures—Store procedures and documentation in respect of receipts and issue of stock, Stock verification Inventory control —Techniques of fixing of minimum, maximum and reorder levels, Economic Order Quantity, ABC classification; Stocktaking and perpetual inventory (i) Inventory accounting Simple practical problems based on Calculation of EOQ Raw Material Turnover ratio Preparation of stock ledger and pricing of material cost based on FIFO and Weighted average cost and valuation of inventory

3	<b>Labour Cost</b>  (i) Attendance and payroll procedures, Overview of statutory requirements, Overtime, Idle time and Incentives (ii) Labour turnover (iii) Utilisation of labour, Direct and indirect labour, Charging of labour cost, Identifying labour hours with work orders or batches or capital jobs (iv) Efficiency rating procedures (v) Remuneration systems and incentive schemes. Simple practical problems based on Preparation of labour cost statement Remuneration and incentive systems based on Piece work plan, Hale Premium Plan, Rowan system, Gantt's Task
4	<b>Overheads</b>  Functional analysis – Factory, Administration, Selling, Distribution, Behavioural analysis – Fixed, Variable, Semi variable cost Simple practical problems on Departmentalization and apportionment of primary overheads, Computation of overhead rates including Machine overhead rates Basic concepts of treatment of over/under absorption of overheads – Direct Labour method and Prime Cost method
5	<b>Classification of Costs and Cost Sheet</b>  Classification of costs, Cost of Sales, Cost Centre, Cost Unit, Profit Centre and Investment Centre Cost Sheet, Total Costs and Unit Costs, Different Costs for different purpose Simple practical problems on preparation of cost sheet
6	<b>Reconciliation of cost and financial accounts.</b>  Practical problems based on reconciliation of cost and Financial accounts.

## QUESTION PAPER PATTERN

**Maximum Marks: 75**

**Duration: 2 ½ Hrs.**

**Questions to be Set: 05**

**All Questions are Compulsory Carrying 15 Marks each.**

<b>Q-1</b>	Objective Questions A) Sub Questions to be asked 10 and to be answered any 08 B) Sub Questions to be asked 10 and to be answered any 07 (*Multiple choice / True or False / Match the columns, Fill in the blanks)
<b>Q-2</b>	Full Length Practical Question  OR
<b>Q-2</b>	Full Length Practical Question
<b>Q-3</b>	Full Length Practical Question  OR
<b>Q-3</b>	Full Length Practical Question
<b>Q-4</b>	Full Length Practical Question  OR
<b>Q-4</b>	Full Length Practical Question
<b>Q-5</b>	A) Theory questions B) Theory questions  OR
<b>Q-5</b>	Short Notes To be asked 05 To be answered 03

*Note:* Full length question of 15 marks may be divided into two sub questions of 08 and 07 marks.



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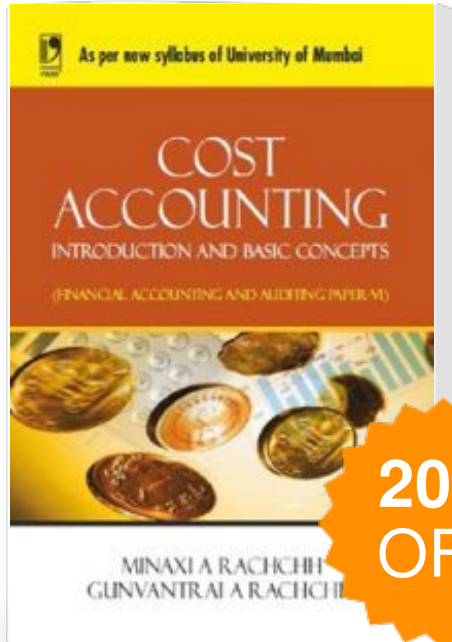
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# **PART I**



# Cost Accounting (University Of Mumbai)



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