



Revised Edition

Management Accountancy

MBS 2nd Semester

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DREAMLAND PUBLICATION

Management Accountancy

MBS 2nd Semester

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Authors

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PREFACE

Management accounting is concerned with provision of financial information that is useful to management for the purpose of setting goals and objectives, formulating, implementing and controlling strategies and making decisions for the effectiveness of the organization. During last many decades, accounting information are greatly used in managerial decisions and control. As a result, management accounting has become an effective tool of management. Due to increasing importance of management accounting, it has been included in curriculum of Bachelors and Masters Level of management in all universities of Nepal.

It gives us immense pleasure to place the first edition of the book titled "Management Accountancy". This book is intended to meet the needs of the students for a clear knowledge on theoretical and practical aspects of management accounting.

Although, the book has been written as per MBS Second semester syllabus of Tribhuvan University, the book is equally useful to BBS, BBA and MBA programs of Tribhuvan University, Pokhara University, Purbanchal University and Kathmandu University. We hope that the book will be useful and acceptable to all who have keen interest to enrich their knowledge of management accounting.

This book is organized in 10 chapters. Each chapter of this book has been presented with a large number of illustrations. Efforts have been made to present the subject matter vividly in order to make the subject much easier. This book has been prepared to facilitate the students for their better results in exam with the broad knowledge and practical field also.

We have tried our level of best to keep this book error-free. However, we undertake full responsibility for the errors. We request all the students, teachers, readers and well-wishers to provide the constructive suggestions to improve the book for the next editions.

Authors

2019

Syllabus

Course Objectives

The objectives of this course are to provide extensive knowledge of managerial accounting tools and techniques required for strategic planning and controlling processes.

Course Description

This course aims to provide exposure on managerial planning and control. It helps to analyze managerial accounting information for control. It covers cost management, income under marginal and absorption costing, cost volume profit analysis, profit planning and performance control. It also deals with technical and behavioral aspects of management accounting and control system.

Teaching Methodology and Pedagogy

- Lecture
- Assignments
- Discussion & Presentation
- Project & case work
- Library & Internet

Marking Scheme

- **Internal** – Assignment- Presentation- Project work- Mid Term Exam- Pre Board Exam
- **External**- Board Exam

Course Details

Unit 1: concepts of management accounting

LH 3

- Concept, objectives, characteristics, functions and limitations of management accounting
- Changing role of management accounting in an organization
- Controllership functions and responsibility

Unit 2: Cost Management and Reporting

LH 8

- Concept, classification and allocation of costs
- Segregation of mixed cost: graphical presentation, two point method, regression method, Co-efficient of determination, standard error of estimates, standard error of regression coefficient, confidence interval and student "t" test
- Reporting and interpretation of net income under different situations for internal and external use
- Reconciliation of net income

Unit 3: Cost – volume – profit analysis

LH 8

- Concept, objectives, assumptions, limitations of cost-volume-profit-analysis
- Application of cost-volume-profit for breakeven analysis and profit planning including multiple products with interpretation
- CVP analysis under the condition of uncertainty
- Cost-volume-profit analysis under resource constraints
- Allocation of single resource constraint
- Allocation of multiple resource constraints using linear programming model

Unit 4: Activity based Costing

LH 5

- Concepts, need, objectives and limitations of ABC
- Limitations of traditional costing system.
- Procedures of absorption of overhead under ABC
- Ascertainment of costs and profit under Traditional and ABC method
- Activity based profitability analysis
- Activity Based Management

Unit 5: Profit Planning

LH 11

- Concepts, need, importance and objectives of budgeting
- Budgeting for profit planning: preparation of master budgets for manufacturing and non-manufacturing firms
- Zero-base budgeting

Unit 6: Controlling of Performance

LH 8

- Concept of standard cost and standard costing
- Difference between standard cost and estimated cost
- Preliminaries to establishment of standard costing
- Objectives, importance and limitations of standard costing
- Standard costing and budgetary control
- Computation and interpretation: Material, Labour and Revenue (based on turnover) variances
- Flexible budgets: concept, features and significance. Difference between flexible and static budget
- Overhead cost control: variable and fixed overhead variances and interpretation

Unit 7: Management Accounting and Control System

LH 5

- Concept of technical considerations of management accounting and control system: The value chain; Total life cycle costing; Target costing; Kaizen Costing; and Benchmarking
- Concept of behavioral considerations of management accounting and control system
- Concept, needs and objectives of Social Accounting, Balanced Scorecard, Forensic Accounting, Environment Accounting and Green Accounting

Basic book

- Atkinson, A.A., Kaplan, R.S., Matsumura, E.M., Young, S.M & Kumar, G.A. (2012), Management Accounting/ 6e. New Delhi: Pearson Education Pvt. Ltd.
- Garrison, R.H., Noreen, E.H., & Brewer, P.C. (2012). Managerial Accounting New Delhi: Tata Mc Graw Hill Education Pvt. Ltd.
- Hilton, R.W., Ramesh, G., & Madugula, J (2011). Managerial Accounting. New Delhi: Tata Mc Graw Hill Education Pvt. Ltd.

Table of Contents

Chapter 1: Management Accounting Concept

Concept of Management Accounting.....	1
Features of Management Accounting	2
Objectives / Roles of Management Accounting	2
Functions of Management Accounting.....	4
Scope of Management Accounting.....	4
Tools and Techniques of Management Accounting.....	6
Limitation of Management Accounting.....	8
Controllership Function.....	9
Duties/Responsibilities of Controller	10
Stewardship, Treasurership and Controllership Function.....	10
Distinction between Financial Accounting and Management Accounting	11
Distinction between Cost Accounting and Management Accounting	12
<i>Theoretical Questions</i>	13

Chapter 2: Basic Concepts of Cost

Cost Concept and Classification	15
Cost Estimation	19
Cost Estimation Methods.....	19
Test of Reliability of Regression Estimate.....	23
<i>Theoretical Questions</i>	47
<i>Practical Problems</i>	48

Chapter 3: Cost Allocation

Concept of Cost Allocation.....	55
Steps of Cost Allocation	55
Traditional Costing Method	56
Primary Distribution of Overhead	56
Secondary Distribution of Overhead.....	57
Absorption of Overhead	62
Allocation of Joint Product Cost	65

Joint Product	65
Joint Cost	65
Apportionment of Joint Cost	66
Average Unit Cost Method.....	66
Physical Unit Method	67
Market Value Method	67
<i>Theoretical Questions</i>	86
<i>Practical Problems</i>	86

Chapter 4: Income Measurement and Reporting

Introduction	95
Product Cost and Period Cost	95
Absorbed and Unabsorbed Cost	96
Absorption Costing.....	97
Features of absorption costing	97
Advantages of Absorption costing	97
Disadvantages of Absorption costing	98
Income Statement under Absorption Costing.....	98
Marginal Costing.....	101
Characteristics of Marginal costing	101
Advantages of Marginal costing	102
Disadvantages of Marginal costing	102
Application of Marginal Costing	103
Income Statement under Marginal Costing	103
Distinction between Absorption Costing and Marginal Costing	105
Causes of Difference in Net Income	106
Work in Progress Inventory and Equivalent Production Units	110
Inventory Valuation under Changing Prices	112
<i>Theoretical Questions</i>	143
<i>Practical Problems</i>	143

Chapter 5: Cost Volume Profit Analysis

Concept of Cost Volume Profit Analysis	153
Assumptions of Cost Volume Profit Analysis	154
Importance of Cost Volume Profit Analysis	154
Contribution Margin	155
Variable Cost Ratio	156

Break Even Point (BEP)	157
Margin of Safety (MOS)	160
Target Profit	163
BEP in Step / Jumping / Moving Fixed Cost Situation.....	167
Last In First Out (LIFO) and First In First Out (FIFO)	169
Cost Volume Profit Analysis with Change Context (Sensitivity Analysis)	170
BEP in Multi Product Situation	172
CVP Analysis under Conditions of Uncertainty	177
Expected Value and Standard Deviation of Profit	178
Normal Distribution	179
CVP Analysis under Constraints	182
<i>Theoretical Questions</i>	273
<i>Practical Problems</i>	273

Chapter 6: Budgeting for Profit Planning

Meaning and Concept of Budgeting	291
Features of Budgeting.....	292
Purposes of Budgeting	292
Advantages of Budgeting	293
Components of Master Budgeting.....	293
Sales Budget.....	294
Production Budget.....	299
Direct Material Budget.....	301
Direct Labour Budget	304
Merchandise Purchase Budget.....	307
Budgeted Income Statement.....	313
Budgeted Balance Sheet	315
<i>Theoretical Questions</i>	389
<i>Practical Problems</i>	389

Chapter 7: Zero Base & Activity Based Budgeting

Zero-Base Budgeting	407
Features of ZBB	407
Objectives of ZBB	408
Advantages of ZBB	408
Process of Implementing ZBB System	408

Limitation of ZBB	409
Difference between Zero base Budgeting and conventional Budgeting	409
Program Based Budgeting	410
Advantages of Program Based Budgeting.....	410
Disadvantages of Program Based Budgeting.....	411
Activity Based budgeting.....	411
Advantages of Activity Based budgeting	413
<i>Theoretical Questions</i>	440
<i>Practical Problems</i>	440

Chapter 8: Standard Costing

Concept of Standard Costing	451
Characteristics of Standard Costing	452
Purpose of Standard Costing.....	452
Advantages/ Importance of Standard Costing	452
Limitations/Disadvantages of Standard Costing.....	453
Variance Analysis	453
Material Variances	454
Labour Variances	466
Reasons of Cost Variances	488
<i>Theoretical Questions</i>	525
<i>Practical Problems</i>	525

Chapter 9: Flexible Budgeting and Overhead Cost Variance

Introduction	535
Features of Flexible Budget	535
Need and Significance of Flexible Budget	536
Difference between Flexible Budget and Fixed Budget.....	536
Preparation of Flexible Budget.....	536
Overhead Variance	540
<i>Theoretical Questions</i>	563
<i>Practical Problems</i>	563

Chapter 10: Management Control System

Concept of Management Control System	573
Features of Management control System	574
Factors Influencing Management Control Systems	575
Need of Management Control System.....	576
Scope of Management Control System	577
Management Control Process	577
The Value Chain.....	579
Value Chain Analysis	580
Stages of Value Chain Analysis	581
Advantages of Value Chain Analysis	582
Limitations of Value Chain Analysis.....	583
Life Cycle Costing	583
Advantages of Life Cycle Costing	585
Target Costing	586
Advantages of Target Costing.....	586
Kaizen Costing	588
Advantages of Kaizen Costing.....	589
Benchmarking	589
The Benchmarking Process.....	590
Type of Benchmarking	591
Advantages of Benchmarking	592
Disadvantages of Benchmarking	593
Behavioral Considerations in Management Control System	593
Concept of Social Accounting	595
Objectives of Social Accounting	596
Need of Social Accounting	597
Social Accounting Approaches	598
Balance Scorecard.....	598
Emergence and evolution of Balance Scorecard	601
Basic Components of Balance Scorecard.....	601
Applications of Balance Scorecard.....	602
Strengths of Balance Scorecard	602
Limitation of Balance Scorecard.....	603

Concept of Forensic Accounting	604
Need of Forensic Accounting	605
Services Rendered by Forensic Accountants	606
Concept of Environment/ Green Accounting	607
Forms of Environment / Green Accounting	608
Objectives of Environment/ Green Accounting	609
Advantages of Environment/ Green Accounting	609
Limitations of Environment / Green Accounting	610
<i>Theoretical Questions</i>	611
<i>Practical Problems</i>	611
<i>Case Study</i>	613

■ Exam Question	615
■ Appendix	629
■ Bibliography	631

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