INSTITUTE OF AERONAUTICAL ENGINEERING

(Autonomous)

Dundigal - 500 043, Hyderabad, Telangana

COURSE CONTENT

STRATEGIC COST AND MANAGEMENT ACCOUNTING								
III Semester: MBA								
Course Code	**Category**	**Hours / Week**			**Credits**	**Maximum Marks**		
CMBE35	**Elective**	**L**	**T**	**P**	**C**	**CIA**	**SEE**	**Total**
		4	**-**	**-**	**4**	40	60	100
Contact Classes: 45	**Tutorial Classes: Nil**	**Practical Classes: Nil**			**Total Classes: 45**			
Prerequisite: Financial Management								
SDGs Mapped: SDG 12 (Responsible Consumption & Production), SDG 8 (Decent Work & Economic Growth)								

I. COURSE OVERVIEW:

This course provides an integrated understanding of Cost and Management Accounting concepts, tools, and techniques required for effective managerial decision-making. It emphasizes cost analysis, control, costing systems, cost-volume-profit analysis, activity-based costing, budgeting, standard costing, and variance analysis. The framework prepares students to apply accounting information for planning, control, decision-making, and risk management in dynamic business environments.

II. COURSES OBJECTIVES:

The students will try to learn:

I. The concepts of Risk Management, measurements and risk management strategies using derivatives.
II. The Provide understanding of various risk measurement tools.
III. Impart knowledge of various aspects in derivatives market.
IV. Elucidate various aspects in Risk Management.
V. Provide understanding of various techniques in Risk Management.

III. COURSE OUTCOMES:

At the end of the course students should be able to:

CO1 Recall and differentiate cost, management, and financial accounting concepts to analyze their role in planning, control, and strategic decision-making.
CO2 Apply costing methods such as job costing, process costing, and cost sheet preparation to managerial decisions like pricing, product mix, and make-or-buy.
CO3 Analyze business problems using cost-volume-profit (CVP) analysis and illustrate the application of activity-based costing (ABC) in improving process efficiency.
CO4 Develop and evaluate different types of budgets for planning and control, and examine cost and managerial audit applications.
CO5 Interpret and evaluate standard costing techniques and variance analysis for assessing performance and reconciling profits.
CO6 Integrate risk management tools with cost and managerial decision-making for effective planning and control in uncertain environments.

IV.COURSE CONTENT:

MODULE – I: INTRODUCTION TO COST AND MANAGEMENT ACCOUNTING, COST ANALYSIS AND CONTROL (08)

Management Accounting Vs. Cost Accounting Vs. Financial Accounting, Role of Accounting Information Planning and Control, Strategic Decisions and the Management Accountant. Enhancing the value of Management Accounting Systems. Cost Concepts and Managerial use of Classification of Costs, Cost Analysis and Control: Direct and Indirect Expenses, Allocation and Apportionment of Overheads, Calculation of Machine Hour rate.

MODULE - II: COSTING FOR DECISION MAKING (09)

Unit Costing, Job Costing, Cost Sheet and Tender and Process Costing and their Variants, Treatment of Normal Losses and Abnormal Losses, Interprocess Profits, Costing for By-products and Equivalent Production. Application of Managerial Costing for Control, Profit Planning, Closing down of a Plant, Dropping a Product line, Charging General and Specific Fixed Costs, Fixation of Selling Price, Make or Buy Decisions, Key or Limiting Factor. Selection of Suitable Product Mix, Desired level of Profits, Diversification of Products, Closing down or suspending activities.

MODULE - III: COST-VOLUME-PROFIT (CVP) ANALYSIS AND ACTIVITY-BASED COSTING (ABC) (10)

Essentials of CVP Analysis. The Breakeven Point using Equation Method, Contribution Margin Method and Graph Method. Target Operating Income. Target Net Income and Income Taxes. Breakeven Analysis for Decision making. Margin of Safety. Application of BEP for various Business Problems. CVP analysis in Service and Nonprofit Organizations.

Activity Based Cost (ABC) Systems: Comparison of Traditional and Activity Based Cost Systems. Emergence of ABC Systems. Activity Hierarchies. Tracing Costs to Activities, Tracing Costs from Activities to Products, Customer Profitability, Process Efficiency. Activity Based Management. ABC Systems in Service Organizations. The Technological Edge of using ABC Systems.

MODULE - IV: BUDGETARY CONTROL (09)

Budget, Budgetary Control, Steps in Budgetary Control, Flexible Budget, Different Types of Budgets: Sales Budget, Cash Budget, Production Budget, Performance Budgets and Computerized Budgeting. Activity Based Budgeting. Budgeting Process in Non-Profit Organizations. Zero Based Budgeting. Criticisms of Budgeting. An Introduction to Cost Audit and Managerial Audit.

MODULE - V: STANDARD COSTING AND VARIANCE ANALYSIS (09)

Standard Costing – Establishing cost standards, Standard Cost and Standard Costing, Standard Costing Vs Budgetary Control, Standard Costing Vs Estimated Cost, Standard Costing and Marginal Costing, Analysis of Variance, Material Variance, Labour Variance and Sales Variance. Reconciling Budgeted Profit and Actual Profit. Standard Absorption Costing. Volume Efficiency and Capacity Variance.

V.TEXT BOOKS:

1. S. P. Jain and K. L. Narang, Cost and Management Accounting, Kalyani Publishers, New Delhi, 6e, 2019.
2. James Jiambalvo, Managerial Accounting, John Wiley & Sons, Inc. New Delhi,7e, 2019.
3. M. Y. Khan, P. K. Jain, Management Accounting: Theory and Problems, TMH, New Delhi, 7e 2017.
4. Horngre, Data, Foster, Cost Accounting: A Managerial Emphasis. Pearson Education, 16e, 2017.
5. Hansen Mowen, Cost and Management Accounting & Control, Thompson Publications, 5e, 2012.

VI. REFERENCE BOOKS:

1. Colin Drury, Cost and Management Accounting, Cengage Learning,8e, 2015.
2. John K Shank and Vijay Govindarajan. Strategic Cost Management The new tool for competitive Advantage. The Free press. 2008.
3. Atkinson, Banker, Kaplan and Young, Management Accounting PHI, 2006.

VII. WEB REFERENCES:

1. https://www.scribd.com/document/184434634/45790874-mba-3-sem-finance-notes-bangalore-university.

VIII. E-TEXT BOOKS:

1. http://iimsnepal.com/download/e%20book%20materials/mba%20ebook%20material/mba%203rd%20semester%20ebook%20materials/dmgt512_strategic_cost_and_analysis.pdf.