

**FAR WESTERN UNIVERSITY**  
**Faculty of Management**

Course Title: **Advanced Cost Accounting**  
Course Code: **ACC 381**  
Nature of course: Theory  
Semester: Eighth  
Level: BBA

Total Marks: 100  
Pass Marks: 45  
Time per period: 1 hr.  
Total periods: 45  
Credit hours: 3

**1. Course Objectives**

The objectives of the course are to be providing the students with the knowledge required to know advanced level of cost accounting for taking decisions including analysis activity based costing, service costing, contract costing, process costing, and standard costing. The course further attempts to provide sound knowledge required for higher studies in cost analysis and some new issues concerns with cost accounting as well as combinations of business.

Specific objectives	Contents	LH
<ul style="list-style-type: none"> <li>• To introduce the cost in advanced level</li> <li>• To clear the concept of cost and costing systems</li> <li>• To provide the knowledge of cost classification for decision making</li> </ul>	<p><b>Unit I: Cost Analysis and Decision Making</b></p> <p>1.1. Introduction 1.2. Concept of cost 1.3. Cost object, cost unit, &amp; cost center 1.4. Cost Accumulation, Allocation, Apportionment &amp; Absorption 1.5. Costing Methods 1.6. Costing Systems 1.7. Classification of Cost 1.8. Cost Control, Cost Reduction &amp; Cost Management</p>	<b>3</b>
<ul style="list-style-type: none"> <li>• To introduce the Activity Based Costing as the apportionment of overhead</li> <li>• To compare the Conventional and Activity Based Costing</li> <li>• To indicate pro and cons of Activity Based Costing</li> <li>• To find out the limitations of Activity Based Costing</li> <li>• To computation the</li> </ul>	<p><b>Unit II: Volume &amp; Activity Based Costing</b></p> <p>2.1. Traditional Volume Based Costing 2.1.1. Concept 2.1.2. Ascertainment of total cost &amp; Profit Under Traditional Volume Based Costing 2.1.3 Limitations of Traditional Costing 2.2. Activity Based Costing 2.2.1. Concept of Activity Based Costing 2.2.2. Significant Terms in Activity based Costing 2.2.3. Absorption of overhead cost under Activity Based Costing 2.2.4. Comparison between Traditional Costing &amp; Activity Based Costing</p>	<b>6</b>

overhead & total cost through Activity Based Costing	2.2.5. Advantages of Activity Based Costing 2.2.6. limitations of Activity Based Costing	
<ul style="list-style-type: none"> <li>• To introduce the service sector and costing for service sector</li> <li>• To calculate operating costing for Transportation, Hotel, Canteen, Hospital &amp; Power House</li> </ul>	<b>Unit III : Service Costing</b> 3.1. Concept of Service Costing 3.2. Scope of Service Costing 3.2.1. Cost Unit in Public Sector 3.3. Limitations of Service Costing 3.4. Transportation Costing 3.5. Hotel Costing/Restaurant Costing 3.6. Canteen Costing 3.7. Hospital Costing 3.8. Power House Costing	<b>6</b>
<ul style="list-style-type: none"> <li>• To introduce contract costing</li> <li>• To identify several terms related to contract business</li> <li>• To compute contract costing including notional profit</li> <li>• To prepare the contractee's, work-in-progress account and balance sheet</li> </ul>	<b>Unit IV: Contract Costing</b> 4.1. Concept of Contract Costing 4.2. Features of Contract Costing 4.3. Retention Money, Payment Procedure, Defective Work, Extra Work, Contract Price 4.4. Computation of Profit on Incomplete Contracts 4.5. Certified & Uncertified Work-in-Progress Value 4.6. Accounting Procedure of Contract Costing 4.7. Types of Accounts to be maintained by Contractor 4.7.1. Contract Account 4.7.2. Contractee's Account 4.7.3. Work-in-Progress Account 4.7.4. Balance Sheet	<b>6</b>
<ul style="list-style-type: none"> <li>• To introduce the process accounting as several process of production</li> <li>• To clear the features of process account and elements of production cost</li> <li>• To clear the normal loss, abnormal loss and abnormal gain</li> <li>• To prepare the inter process profit for Process account</li> </ul>	<b>Unit V: Process Costing</b> 5.1. Concept of Process Costing 5.2. Features of Process Costing 5.3. Advantage & disadvantage of process costing 5.4. Elements of Production Cost 5.5. Preparation of Process Accounts 5.6. Accounting for Normal Loss 5.7. Accounting for Abnormal Loss 5.8. Accounting for Abnormal Gain 5.9. Inter Process Profit 5.10. Preparation of Process Account under Inter Process Profit	<b>12</b>

<ul style="list-style-type: none"> <li>• To introduce the standard cost and standard costing</li> <li>• To differentiate the standard costing and budgetary control</li> <li>• To clear the advantages and disadvantages of standard costing</li> <li>• To mention Material Variance including MCV, MPV, MUV, MMV &amp; MYV</li> <li>• To mention Labour Variance including LCV, LRV, LEV, LITV, LMV &amp; LMV</li> <li>• To introduce Overhead Variance</li> <li>• To analyze the three Overhead Variance</li> <li>• To calculate Three Overhead Variance</li> </ul>	<p><b>Unit VI : Standard Costing</b></p> <p>6.1. Concept of Standard Costing</p> <p>6.1.1. Meaning of Standard Cost</p> <p>6.1.2. Meaning of Standard Costing</p> <p>6.1.3. Standard Costing &amp; Budgetary Control</p> <p>6.1.4. Difference between Standard Costing &amp; Budgetary Control</p> <p>6.1.5. Advantages &amp; Disadvantages of Standard Costing &amp; Budgetary Control</p> <p>6.2. Analysis of Variance</p> <p>6.3. Material Variance</p> <p>6.3.1. Material Cost Variance</p> <p>6.3.2. Material Price Variance</p> <p>6.3.3. Material Usage/Quantity Variance</p> <p>6.3.4. Material Mix Variance</p> <p>6.3.5. Material Yield Variance</p> <p>6.4. Labour Variance</p> <p>6.4.1. Labour Cost Variance</p> <p>6.4.1. Labour Rate Variance</p> <p>6.4.1. Labour Efficiency Variance</p> <p>6.4.1. Labour Idle Time Variance</p> <p>6.4.1. Labour Mix Variance</p> <p>6.4.1. Labour Yield Variance</p> <p>6.5. Overhead Variance</p> <p>6.5.1. Concept of Overhead Variance</p> <p>6.5.2. Analysis of Three Overhead Variance</p> <p>6.5.3. Calculation of Overhead variances</p>	<p><b>12</b></p>
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**Text books:**

1. Lal Jawahar, *Cost Accounting*, Tata McGraw Hill Co., New Delhi
2. Dangol R.M., and et .al, *Cost and Management Accounting*, Taleju Publishing House, Kathmandu
3. Sahaf M.A., *Management Accounting*, Vikash Publishing House Pvt. Ltd., New Delhi