Syllabus ...

Revised Syllabi (2019 Pattern) for M.Com. Course (CBCS) Semester I, Part - I
Group - C (Advanced Cost Accounting and Cost Systems)
Subject Name : Advanced Cost Accounting and Cost Systems Special Paper II : Course Code : 108
Subject Title : "Costing Techniques and Responsibility Accounting"

Objectives of the Programme :

1. To enhance the abilities of learners to develop the concept of Cost and Management Accounting and its significance in the business.
2. To enable the learners to understand, develop and apply the techniques of costing in the decision-making in the corporate world.
3. To equip the students with knowledge and skill to design and implement Cost Control through Costing Techniques.

Unit No.	Unit Title	Contents	Purpose Skills to be Developed
1.	**Budgetary Cotnrol**	a) Concept of Budget and pre-requisites of preparing budget. b) Types of Budgets. c) Process of preparing Budgets : Flexible Budget, Cash Budget, Production Cost, Quantity Budget and Sales Budget. d) Limiting Factors in preparing Budgets. e) ZBB (Zero Based Budget)	Students are expected to understand the role of Budget in the process of Cost Control and Decision-making.
2.	**Standard Costing**	a) Concept of Standard cost b) Setting of Standards c) Variance Analysis : Material, Labour, Overhead, Sales and Profit Variances.	Skills in computation and analysis of various variance.
3.	**Uniform Costing and Inter-firm Comparison**	a) Reasons for differences in Cost and Costing Practices. b) The application, Advantages and Limitations of Uniform Costing. c) Inter-firm comparison – Meaning, Advantages and Disadvantages	Understand the concepts of Uniform Costing and Inter-firm Comparison.
4.	**Responsibility Accounting and Reporting**	a) Definition, Meaning, Principles, Controllable and Non-controllable Costs. b) Centers of control, Cost Centres, Revenue Centre, Investment Centre, Profit Center c) Performance Measurement of Business Centres. d) Reporting to different levels of Management.	Understand the relevance of Cost Accounting Data as a part of monitoring various segments of business.

Method of Evaluation :

Subject	Internal Evaluation	External Evaluation	Suggested AD-On Course
Unit I **Unit II** **Unit III** **Unit IV**	Multiple Choice Questions, Written Test, Internal Examination, PPT based presentation etc.	SPPU	Visit to industries and make a report on the visit.

Notes: The breakup of marks on the Examination will be as follows :

- 30% of marks for Theory and 70% of marks for Practical Problems.
- Areas of Practical Problems
  1. Cash Budget
  2. Flexible Budget
  3. Material, Labour, Overhead and Sales Variances
  4. Performance Measurement of Business Centers
  5. Responsibility Accounting.

***

Contents ...

***

List of Figures, Graphs and Charts ...

***

Chapter 1 ...

Budgetary Control

Synopsis ...

Synopsis ...

1.1 BUDGET

A **Budget** is a plan which relates to a definite period of time and which is expressed in quantitative terms. It is thus, a predetermined statement which incorporates the policy of the management during a given period and serves as a standard for comparing the actual results. Thus, a budget is a tool in the actual results. Thus, a **budget** is a tool in the hands of the management which serves as a guide for all the employees in achieving their goals, objectives and targets.

A **Budget** helps in planning and co-ordination with all the employees and departments, but the most important factor is that it is used for control purposes at all levels of management.

There is a difference between **Budget and Budgetary Control**. As it is very clear that, a Budget is a quantitative statement prepared in advance and keeping it as the base, the actuals are compared. Budgetary Control on the other hand means use of the budgets. Thus, Budgetary Control involves use of the budgeting techniques to help the management for carrying out various functions viz. Planning, Organising, Co-ordinating and Controlling the activities of a business. The Budgetary Control technique includes,

- Establishment of Budgets for each department.
- Variance Analysis is done for taking suitable action.
- To see that the mistake of the past are not repeated in future.
- Comparing the budgets with the actual which is known as variance.

According to **ICMA, England, Terminology**, a **Budget** is, *"a financial and/or quantitative statement, prepared and approved prior to a defined period of time, of the policy to be pursued during the period for the purpose of attaining a given objective"*.

Budgetary Control is defined by **ICMA, England Terminology** as, *the establishment of budgets relating to the responsibilities of executives to the requirements of a policy, and the continuous comparison of actual with the budgeted results, either to secure by individual action the objective of that policy or to provide a basis for its revision"*.

The technique of budgetary control is extensively used in the modern business world. Most of the business failures due to lack of proper planning, helps us to know in advance whether to start a business or not, whether to continue a business or not and also to indicate the various constraints and limiting factors in business which may be faced during operation of the business. Budgetary Control indicates in advance about the dangers which one has to face in business, their remedies and solutions.

Objectives of Budgetary Control

Generally, Budgetary Control is concerned with three basic aspects viz. planning, co-ordination and control. All these factors depend on one another and hence we cannot isolate them.

i) Planning :

A Budget is nothing but a plan. Without planning any modern business cannot function, planning is related to production sales, stocks, requirement of labour, etc. The advantage of planning is to anticipate the problems before hand. Planning through budgetary control is necessary at all levels of management. There is the process of thinking which enables to provide new ideas to the management.

ii) Co-ordination :

It means co-operation by the different people in the organisation to achieve the common goal. To have co-ordination, there should be proper communication. Communication can be through the budgets. Planning helps co-ordination and hence if the planning is good, there is effective co-ordination. A detailed budgetary control system is one where the plans are made and are circulated to all the levels of management.

iii) Control :

It ensures that the goals of the management as stated in the budgetary control system have been achieved. For this purpose fixing of standards is necessary. Thus, through the budgets the standards are fixed which enables the management to control the activities so that the goals are achieved. Thus, through budgetary control, it is possible to compare the standards with the actuals and the analysis of the variances can be made and corrective action taken wherever necessary. It encourages research and development as budgetary control schedules are usually based on past experiences.

It encourages research as budgetory control schedules are usually based on past experience.

Advantages of Budgetary Control

The important advantages of Budgetary Control can be summarised as follows :

i) It locates the inefficient areas and persons in the business.

ii) It helps to increase the efficiency, reduce wastages and control costs.

iii) It helps to co-ordinate the activities of the various employees, departments and thus helps to achieve the goal of the management.

iv) With the help of budgeting, the responsibilities of the managers can be fixed for planning, so that they can think ahead, anticipate and be prepared to meet the challenges ahead.

v) Maximisation of profits is possible through budgeting.

vi) It helps to introduce the standard costing technique.

vii) It helps to ensure cash flow and hence bank credit can be obtained.

viii) It creates cost consciousness in the minds of all the employees in the organisation.

ix) Authority can be delegated and responsibilities fixed.

x) It rewards the efficient workers and the managers can show their efficiency by achieving the goals fixed by the management through the budgets.

xi) It ensures that the capital of the firm is utilised in a proper way and that there is no mis-utilisation of funds.

xii) Vital decisions can be taken by the management based on the budgets.

xiii) Actual results can be compared with the budgets so that corrective action can be taken in time.

xiv) It is like a barometer which enables us to study the changes in the business conditions.

Limitations of Budgetary Control

Though there are number of advantages of Budgetary Control System, it suffers from many deficiencies also. Hence, the persons using the budgets should be very careful and should be fully aware of the limitations. The following are certain important limitations.