



Chandaria  
School of  
Business

## **ACCT 4040A: COST ACCOUNTING**

**CREDIT: 3 UNITS**

**LECTURER: AGNES O OGADA**

**CONTACT: 0722520301**

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### **1.0 COURSE DESCRIPTION**

The course is designed to provide in-depth coverage of cost accounting concepts, objectives, and accumulation and reporting procedures. Topics covered include material, labor and overhead costs in job order and process cost accumulation systems. Standard costs and Variance analysis is also covered. Others are Unit costing, Contract costing, and Operating costing and emerging trends in cost accounting topics.

### **2.0 COURSE OBJECTIVE**

The aim of this course is to provide the students with an introductory knowledge of cost accounting to enable them to:

- Appreciate the manner in which the cost of a product or service is determined.
- Analyse cost data and use the information derived for pricing and other management decisions.
- Explain the characteristics of a good cost accounting system.

**Prerequisite: ACT 2010**

### **3.0 USIU MISSION STATEMENT**

The mission of United States International University (USIU) is to promote the discovery and application of knowledge, acquisition of skills, and the development

of intellect and character in a manner that prepares the students to contribute effectively and ethically as citizens of a changing and increasingly technological world.

### **3.1 LINK TO UNIVERSITY MISSION OUTCOMES AND PROGRAM OUTCOMES**

This course will equip students with a broad range of knowledge, skills, attitudes and problem solving abilities to enable them plan and control resources, respond to the need for successful management and leadership and resource allocations of profit and not- for- profit organizations in a dynamic environment

### **4.0 SCHOOL OF BUSINESS MISSION STATEMENT**

In line with the university mission, the mission of Chandaria School of Business is to provide a range of knowledge, skills, attitudes and problem-solving abilities to enable students respond to the need for successful management and leadership of profit and not for profit organizations in a dynamic environment

### **4.1 SCHOOL OF BUSINESS LEARNING OUTCOMES**

**At the end of the program, students should be;**

- Global Oriented – Demonstrate awareness, knowledge and appreciation of global business operations and practices.
- Multidisciplinary – Demonstrate knowledge about the different functions of business and show an appreciation and integration of functional business areas.
- Change Oriented – Make use of adaptive and innovative skills.
- Experiential – Develop practical working experience through participation and contribution to community and societal causes.
- Initiative and Problem Solving Abilities – Collect and analyze data to provide business solutions.
- Team Player – Demonstrate understanding of diversity and work harmoniously with individuals and groups in organizations.
- Effective Communication – Develop competencies in oral and written communication skills and use of technology.
- Preparedness for Career – Develop mastery of knowledge, skills and values relevant to careers in their selected disciplines.
- Transformational Leadership - Demonstrate effective, efficient and ethical leadership

## **5.0 COURSE DESCRIPTION**

The course is designed to provide in-depth coverage of cost accounting concepts, objectives, and accumulation and reporting procedures. Topics covered include material, labor and overhead costs in job order and process cost accumulation systems and other emerging cost accounting topics.

### **5.1 COURSE LEARNING OUTCOMES**

At the end of this course the students shall;

- Appreciate the manner in which the cost of the product or service is determined
- Analyze cost data and use the information derived to undertake pricing and other management decisions.
- Explain the virtues of a good cost accounting system
- To appreciate cost accounting as a discipline and how it add value to management and other users of accounting data
- To compare cost, management and financial accounting

### **COURSE CONTENT**

#### **WEEK 1**

### **6.0 Introduction to cost and management accounting**

#### **6.1 Topic learning outcomes**

- At the end this topic students should be able to;
- Discuss the nature and scope of cost and management accounting
- Appreciate the role of cost and accounting in an organization
- Discuss the qualities desired of a good costing system
- Define key terms used in cost and management accounting
- Explain the similarities and differences between cost management and financial accounting
- Appreciate the role played by a cost and management accountant in business organization
- Discuss the new developments in cost and management accounting

#### **6.2 Discussion sub topics**

- Nature and scope of cost accounting
- Objectives, and importance of cost accounting
- Characteristics of a good costing system.

- Costing, managerial , and financial accounting compared Costing terms

### **6.3 Assignment/ activity**

Assignment/ exercises

#### **6.3.1 Course text**

#### **WEEK 2**

### **7.0 Introduction to various methods of costs classification**

#### **7.1 Topic learning outcomes**

After reading this topic the student should be able to:

- Explain the difference between financial accounting and cost accounting
- Explain the different types of cost classification
- Explain the various cost elements
- Calculate prime cost and production cost
- Draw up cost statements to aid in decision making

#### **7.2 Learning Sub – Topics**

- Purposes of costing
- Elements of costs
- Methods of classifying costs
- Classification of costs by traceability
- Direct and Indirect manufacturing costs
- Cost statements

#### **7.3 Assignment/Activity**

##### **7.3.1 Course text**

#### **WEEK 3-4**

### **8.0 Accounting for Materials**

#### **8.1 Topic Learning outcomes**

At the end of this topic students should be able to:

- Explain the procedures followed in procurement of materials
- Discuss the records used in material purchase and issue transactions
- Appreciate various forms of stores
- Determine the appropriate stock levels

- Value stocks using various valuation methods
- Ascertain material costs incurred in production
- Discuss stock control procedures that can be implemented in a business
- Understand the method of just in time purchasing

## **8.2 Discussion sub-topic**

- Meaning and importance of materials control
- Material cost control and purchasing procedure
- Materials storages
- Stores control-Reordering level, economic ordering quantity, maximum level, minimum level.
- Pricing of materials issues FIFO, LIFO and Weighted average

## **8.3 Assignment/Exercises**

### **8.3.1 Course text**

#### **WEEK 5**

## **9.0 Accounting for Labour including remuneration methods**

### **9.1 Topic Learning outcomes**

At the end of this topic students should be able to;

- Explain the need for labor costing
- Meaning and importance labor costs. Payroll department and its functions.
- Piece rate method of payment
- Methodology used in accounting for labor,- idle time, labor turnover, overtime, etc.
- Treatment of labor costs and its control
- Incentive plan of wage payment – individual and group bonus plans.

### **9.2 Discussion sub-topics**

- Considerations for wages payment
- Methods of labor remuneration and their advantages
- Labor incentive schemes

### **9.3 Assignment/Exercises**

#### **9.3.1 Course text**

## **WEEK 6-8**

### **10.0 Accounting for overheads**

#### **10.1 Topic learning outcomes**

At the end of this topic students should be able to;

- Explain the nature of overheads as a component of the cost of production
- Describe the need for allocation and apportionment of overheads
- Identify the various methods of apportioning overhead costs
- Discuss the purpose of overhead allotment
- Allocate apportion and allot overheads
- Understand overhead absorption
- Appreciate concept of over/under absorbed overheads

#### **10.2 Discussion subtopics**

- Allocation of overheads
- Apportionment of overheads
- Allotment of overheads
- Absorption of overheads
- Over/under absorbed overheads

### **10.3 Assignment/activities**

#### **10.3.1 Course text**

## **WEEK 7 MID-QUARTER EXAMINATION**

## **WEEK 9**

### **11.0 Job-Order and batch costing**

#### **11.1 Topic learning outcomes**

At the end of the topic students should be able

- To distinguish between Job and batch costing
- Describe procedures for charging materials and labour costs to jobs
- Explain how production and non-production overheads are applied to jobs
- Understand why firms use predetermined overhead rates
- Able to dispose over/under applied overheads

#### **11.2 Discussion sub-topics**

- Introduction to job order costing
- Meaning, objectives, of job cost sheet.
- Benefits of job order costing
- Preparation of journal and ledger accounts.
- Predetermined overhead absorption rates
- Closing inventories, treatment of over- applied and under applied costs.

### **11.3 Assignments/Class activities**

#### **11.3.1 Course text**

##### **WEEK 10-11**

### **12.0 Process Costing**

#### **12.1 Topic learning outcomes**

At the end of the topic students should be able to;

- Explain the nature of process costing and production systems
- Understand the concept of equivalent units
- Prepare process accounts
- Explain normal and abnormal wastage, effects of beginning entries.
- Cost Joint products and by-products

#### **12.2 Discussion sub topics**

- Process accounts
- Output from a process
- Accounting treatment of normal and abnormal losses
- Valuation of completed units and work in process inventory
- Joint products

### **12.3 Assignments/Activities**

#### **12.3.1 Course text**

##### **WEEK 12-13**

### **13.0 Contract costing.**

#### **13.1 Topic learning outcomes**

At the end of the topic students should be able to;

- Explain the nature and purpose of contract costing
- Explain how contract price is determined

- Appreciate the difficulties encountered when calculating Revenues and profit from long-term contracts
- Understand differences between completed and percentage completion methods of accounting for contracts
- Prepare contract accounts

### **13.2 Discussion sub topics**

- Nature of contract costing
- Contract pricing
- Methods of contract accounting
- Work in progress and notional profits
- Preparation of contract accounts

### **13.3 Assignments/ activities**

#### **13.3.1 Course text**

### **13.3 Assignments/Activities**

#### **13.3.1 Course text**

## **WEEK 14**

### **END OF SEMESTER EXAMINATION**

### **15.0 TEACHING METHODOLOGY**

The course will be conducted by way of lectures and class discussions. Students are advised to:

Ensure they read the relevant chapters/topics before the session.

Attempt all assignments as some of them shall be collected for grading. No late work shall be accepted.

### **16.0 COURSE TEXT**

Onyuma O. Samuel, Cost Accounting A practical Approach (2010)

### **17.0 THE RECOMMENDED READING**

Drury, Colin. Costing: An Introduction. 3rd Edition. (London, International Thomson Business Press, 1993).

Horngren C.T., Cost Accounting: A Managerial Emphasis. 9th Edition (New Jersey, Prentice Hall, 1997).



## 18.0 COURSE EVALUATION

The students will be evaluated on the basis of the following:

Class Attendance and Participation	10%
Term paper/Assignments	40%
Mid- Semester Examination	20%
Final Examination	<u>30%</u>
TOTAL	<u>100%</u>

## 19.0 CLASS ATTENDANCE

Class Attendance is compulsory. Classes also begin the first day. Failure to attend **seven** classes will result in an automatic grade of failure (F) being awarded irrespective of performance. Any explanations of absence such as sickness and attending burials of relatives must be supported by credible documentary evidence (Please read students' handbook)

## 20.0 CLASS ASSIGNMENTS AND DUE DATES

All class assignments must be typed/ or be neatly done on the normal A4 Size paper. Assignments are due one week following the completion of the topic. Any assignment not conforming will be returned unmarked and a score of zero awarded. No excuses will be entertained

## 19.1` GRADING

<b>%Score</b>	<b>Letter Grade</b>
90 – 100	A
87 - 89	A –
84 – 86	B+
80 – 83	B
77 – 79	B –
74 – 76	C+
70 – 73	C
67 - 69	C –
64 – 66	D+
62 – 63	D
60 – 61	D -
<b>59 &amp; BELOW</b>	<b>F</b>

**SEE APPENDIX FOR RULES & REGULATIONS FOR EXAMINATIONS**

