

SYLLABUS (2003)

COST & MANAGEMENT ACCOUNTING 1

PURPOSE

The purpose of this first in Cost & Management Accounting is to introduce the principles and basis of Cost and Management Accounting from a practical aspect. The course is intended to form the basis as well as to be an integral part of subsequent studies in the subject.

OBJECTIVES

After studying this course a candidate should:

- ◆ Understand the basic concepts and terminology of Cost and Management Accounting.
- ◆ Be able to apply the principles of stock control.
- ◆ Know the various methods of labour remuneration and the functions required for efficient labour administration.
- ◆ Identify overheads, both fixed and variable.
- ◆ Determine, apply and analyse overhead allocation.
- ◆ Distinguish between Process and Job Costing.
- ◆ Calculate equivalent units in an enterprise using a first-in first-out method or weighted average cost method.
- ◆ Determine the profit of a task or job and deal with over or under applied overheads.
- ◆ Explain the characteristics of long-term contracts.
- ◆ Draw up contract accounts.
- ◆ Understand how computers are used in an enterprise for Cost and Management Accounting.
- ◆ Make accounting entries in the general ledger to cover all aspects of these concepts.

RECOMMENDED TEXTBOOK

Cost and Management by Brown, Swanepoel, de Jong, Golderblom and Jordaan: Juta

Additional reading:

Fundamentals of Cost and Management by Faul et al: Butterworth 1992

SYLLABUS

SECTION 1: COST ACCOUNTING 10% (Chapter 1)

Students should identify and understand the basic concepts of Cost and Management Accounting

1.1 The origin of Cost Accounting

- 1.2 The purpose of Costing and Management
- 1.3 The role and functions of Cost Accountants
- 1.4 The place of Cost and Management accountants
- 1.5 The distinction between Financial Accounting and Cost and Management Accounting
- 1.6 Expenditure, cost, sacrifice and wastage
- 1.7 Classification of costs
- 1.8 Important concepts and definitions

SECTION 2: MATERIALS 15% (Chapter 2)

- 2.1 Classification of material
- 1.2 Ordering of and control over material
- 1.3 Determining the quality of stock required in the production process
- 1.4 The ordering function
- 1.5 Types of stock
- 1.6 Levels of and control over stock
- 1.7 Stockpiling costs and order costs
- 1.8 Computers and stock control
- 1.9 Determining stock turnover
- 1.10 Stock valuation
- 1.11 Purchase cost
- 1.12 Purchase procedure
- 1.13 Storage of source material, warehouse procedures and planning
- 1.14 Storekeeper, in bin cards, stock ledger cards
- 1.15 Stock systems, current inventory, periodic inventory, types of stock
- 1.16 Accounting entries for source material
- 1.17 Standard cost and source material

SECTION 3: LABOUR 15% (Chapter 3)

- 3.1 Labour administration
- 3.2 Wage systems
- 3.3 Incentive wage systems
- 3.4 Overtime remuneration
- 1.1 Leave money and other fringe benefits
- 1.2 Idle time
- 1.3 Shift premiums
- 1.4 Leave money
- 1.5 Payrolls
- 1.6 Labour and standard costs
- 1.7 Accounting entries
- 1.8 Labour control
- 1.9 Learning curves
- 1.10 Computerisation of wages systems

SECTION 4: OVERHEADS 15% (Chapter 4)

- 4.1 Classification of direct and indirect costs
- 4.2 The division of overheads into fixed and variable components by observation, high-low methods and regression analysis
- 4.3 Allocation of overheads to the cost centres, both primary allocation and secondary allocation
- 4.4 The choice of activity level
- 4.5 An analyse of over-or-applied overheads
- 4.6 Recording of overheads
- 4.7 Depreciation

4.8 Special overheads

SECTION 5: JOB COSTS 15% (Chapter 5)

- 5.1 The reason for a product costing system
- 5.2 The choice between job costs and process costs
- 5.3 Cost flow and job costs
- 5.4 Ledger entries and manufacturing account

SECTION 6: CONTRACT ACCOUNTS 15% (Chapter 6)

- 6.1 The contract ledger
- 6.2 Material
- 6.3 Labour (wages)
- 6.4 Direct overheads
- 6.5 Installations
- 6.6 Tender costs
- 6.7 Variation and extras
- 6.8 Basis of recognition of contract income and profit using the percentage of completion method and the completed contract method
- 6.9 Retention money
- 6.10 Certified work
- 6.11 Disclosure in financial statements

SECTION 7: PROCESS COSTS 15% (Chapter 7)

- 7.1 Objective of a process costing system
- 7.2 Characteristics of a process costing system
- 7.3 Production flow
- 7.4 Equivalent units
- 7.5 Production costs report
- 7.6 Joint quantity and production report
- 7.7 Accounting entries for material costs, labour costs and manufacturing overheads
- 7.8 Process and standard costs
- 7.9 Use of computer for process costs

EXAMINATION

The examination will consist of multiple-choice questions for sections 2 to 7. These questions are drafted in such a way that a candidate will need to do the full calculations. The emphasis of the examination is to ascertain the candidate's practical knowledge of the subject. Section 1 will require short point-form answers.