

COO4A2 Cost Management [4 Credits]

Learning Objective: Students will be able to learn the latest developments in the area of Cost Management and will be familiarized with practical applications of the latest tools and techniques used for controlling cost.

UNIT 1: Introduction to Cost management and Responsibility Accounting (10 Hours)

Introduction - Meaning – uses of Cost Management – contemporary business environment – the strategic focus of Cost Management – developing competitive strategy – Cost drivers – cost pools and Cost objects. [Theory only]

Responsibility Accounting – Process of implementation – Responsibility reporting - Centers of control – Benefits and problems of Responsibility accounting – Responsibility center [Theory only]

UNIT 2: Performance Evaluation Techniques and Activity Based Costing (10 Hours)

Performance measurement - ROI method – Residual Income or Economic Value Added (EVA) method – Comparative evaluation of ROI and EVA. Transfer Pricing – Benefits – Methods – Transfer pricing in multinational companies – Performance Measurement of Human Organisation – Labour turnover – Causes – Measurement – Cost of labour turnover - Cost-benefit analysis of training and development. [Theory only]

Activity Based Costing - ABC and conventional costing system – Merits and demerits – Cost drivers and cost pools – Developing and implementing ABC – Key issues in ABC – ABC in service organization- The Balanced Scorecard – Balanced scorecard perspectives - Characteristics of good balanced scorecard – Case studies in implementation of balanced scorecard (Theory only)

UNIT 3: Learning curve and Value Engineering (10 Hours)

Learning Curve Model- Phases – Learning curve applications – factors affecting learning curve – Target Costing - Target costing process – Advantages – Cost reduction methods in target costing – Tear-down analysis – Quality function development [Theory Only]

Value engineering – Reengineering Life-Cycle Costing – Product life-cycle and cost control – Experience Curve in Product life-cycle – Project life-cycle costing – Categories of project life-cycle costs – Optimisation of project life-cycle - Techniques to control current costs – Kaizen Costing. [Theory only]

UNIT 4: Linear Programming (15 Hours)

Linear Programming Meaning – assumptions – application of LP techniques – Constraints - Limitations (including problems) Network Analysis - Introduction – objectives – stages – drawing net – work diagram – PERT – CPM [Theory and practical problems]

UNIT 5: Transportation and Assignment (15 Hours)

Transportation Problems Introduction - applications – conditions – stages [Theory and practical problems] Assignment Problems - Introduction – stages – unbalance & assignment problems – maximize the objective function [Theory and practical problems]

Suggested Readings:

1. Ravi M. Kishore, *Advanced Management Accounting*, Taxmann Publications
2. Kaplan & Atkinson, *Advanced Management Accounting*, Pearson Education Asia
3. Ingram, Albright & Hill, *Managerial Accounting*, South-Western: Thomson Learning
4. Jawahar Lal, *Cost Management*, Tata McGraw-Hill Publishing Co.
5. Ronald W. Hilton, *Managerial Accounting*, Tata McGraw-Hill Publishing Co.
6. Hilton, Maher, & Selto, *Cost Management*, Tata McGraw-Hill Publishing Co.
7. Hanson & Mowen, *Cost Management: Accounting and Control*, Thomson Southwestern, (4/e), 2003.
8. Horngreen, Foster, & Datar, *Cost Accounting: A Managerial Emphasis*, Prentice Hall.
9. Edward Blocher, *Cost Management: A Strategic Emphasis*, Tata McGraw Hill.