

# Formation II



Paper 4 –Management Accounting  
hours

Duration of Examination: 3

**OBJECTIVES:** To ensure that candidates (a) are fully familiar with the collection, collation, recording and presentation of costing data and (b) have a thorough understanding of fundamental Costing Principles, methods and Techniques, and their application to manufacturing and service industries.

SYLLABUS	Knowledge Requirements
1. FINANCIAL, COST AND MANAGEMENT ACCOUNTING Their inter-relationship and role in the processes of decision making Planning and Control.	A
2. DESIGN AND DEVELOPMENT OF A COSTING SYSTEM: Concepts of cost centers and cost units; cost classification: organization of the costing department, and its function in providing management information: Terminology.	A
3. MATERIAL CONTROL: Knowledge of routines, methods and documentation involved in procuring, storing and issuing materials, including pricing and valuation of Stocks.	A
4. LABOUR CONTROL: Procedures involved in recruitment, employment and remuneration of staff at all levels: Payroll routine and analysis: treatment of overtime, idle time and similar items: criteria for judging the effectiveness of the payroll system.	A
5. EXPENSES AND OVERHEAD: Nature, classification, collection and analysis: absorption costing ~ establishment of absorption rates and treatment of under/over recovery: Reciprocal apportionments.	A
6. COST BOOKKEEPING: Knowledge of cost sheets, controls, and methods used to establish Cost Accounts. Cost Accounting systems currently in use i.e. integral and non-integrated systems.	A
7. JOB, BATCH AND CONTRACT COSTING: Detailed knowledge of Principles involved including documentation, ledgers and routines required to ascertain unit costs.	A
8. PROCESS COSTING: Special features of process costing: treatment and effect of scrap and waste: Elementary knowledge of the concept of effective production, and of the difference between FIFO and Average costing methods.	A
9. MARGINAL COSTING: As applied to the single product firm. Basic knowledge of the concept of Contribution: Identification of fixed and variable costs. Simple Breakeven charts and calculation of margin of safety: Use of contribution/sales ratio: Use of marginal costing in decision-making: Marginal costing V /S absorption costing.	A
10. BUDGETARY CONTROL: Inter-relationship of the primary, secondary and Master Budgets: The Budget Committee -its composition, functions, and role in determining budget periods, establishing and revising budgets. Thorough knowledge of processes involved in determining the requirements of cost elements based on functional budgets: Simple cash budgeting: introduction to flexible budgeting.	A
11. STANDARD COSTING: Establishment of standards for each element of Cost. Thorough knowledge of calculations and accounting entries required for basic cost variances.	A