

## **PRINCIPLES OF COST ACCOUNTING**

### **1. AIMS AND OBJECTIVES**

The aims of this examination are to test candidates' ability to

- a) assemble, analyze and ascertain the cost of producing and procuring goods and services;
- (b) develop skills for using Cost Accounting as a tool for assisting management with information needed for planning, control and decision making;
- (c) show awareness of economic use of resources through costing techniques;
- (d) demonstrate knowledge of basic methods of presenting cost statements.

### **2. SCHEME OF EXAMINATION**

There will be two papers, Papers 1 and 2, both of which will be a composite paper to be taken at one sitting.

**PAPER 1:** Will consist of fifty multiple-choice objective questions all of which must be answered within 1 hour for of 25 marks.

**PAPER 2:** Will consist of nine essay-type questions. Candidates will be required to answer five questions within 2 hours for 75 marks.

The paper will consist of two sections, Sections A and B as follows:

- Section A: Theory of Principles of Cost Accounting - four questions will be set and candidates will be required to answer two of them for 15 marks each.
- Section B: Practices of Principles of Cost Accounting – five questions will be set and candidates will be required to answer three of them for 15 marks each.

### **3. DETAILED SYLLABUS**

TOPICS	NOTES
1. INTRODUCTION TO COST ACCOUNTING	1.1 Definition and objectives of Cost Accounting. 1.2 Functions and importance of Cost Accounting 1.3 Differences among Cost Accounting, Management Accounting and Financial Accounting. 1.4 Basic Costing terminologies e.g

<p>2. CHARACTERISITICS OF A GOOD COSTING SYSTEM</p> <p>3. COST CLASSIFICATION AND TYPES OF COST</p> <p>4. ELEMENTS OF COST</p>	<p>Cost Centre, cost unit, unit cost etc.</p> <p>2.1 Characteristics of a good Costing System e.g simple, relevant, accurate, cost-effective etc</p> <p>2.2 Qualities of good Cost information e.g brief, timely, comparable, objective etc.</p> <p>3.1 Basis of cost classification: Classification of cost according to behaviour, function, nature etc.</p> <p>3.2 Types of cost under various Classifications eg. direct cost, indirect cost, period cost, historical cost, sunk cost, etc.</p> <p>3.3 Components of cost build-up for ascertaining the cost/profit of a product or an activity e.g prime cost, overheads, factory cost, cost of production, cost of sales, total cost etc.</p> <p>4.1 Explanation of elements of cost i.e Material, Labour and Expenses.</p> <p>4.2 Identification and grouping of elements of cost into direct and indirect costs e.g direct material cost direct, labour cost, direct expenses and overheads such as factory, administration, selling and distribution, etc.</p>
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TOPICS	NOTES
<p>5. MATERIALS</p>	<p>5.1 Purchasing, receiving, storage and their documentation.</p> <p>5.2 Stocktaking: periodic and continuous and perpetual inventory system.</p> <p>5.3 Inventory control – Minimum, Maximum, Re-order stock levels and Economic Order Quantity. (computation of Economic Order</p>

TOPICS	NOTES
	<p>7.4 Overhead Absorption:</p> <ul style="list-style-type: none"> <li>- Calculation of Overhead Absorption Rates (OAR) e.g Direct Wages Percentage, Direct Material Cost Percentage, Machine Hour Rate, Prime</li> </ul>

	<p>Cost percentage, etc.</p> <p>7.5 Application of Overhead Absorption Rates.</p> <p>7.6 Calculation of under/over absorption of overheads.</p> <p>7.7 Activity Based Costing:</p> <p>7.7.1 Meaning, advantages and disadvantages of Activity Based Costing (ABC).</p> <p>7.7.2 Steps in Activity Based Costing.</p> <p>7.7.3 Differences between Activity Based Costing and Traditional Product Costing systems.</p> <p>- limitations of Traditional Product Costing System.</p> <p>7.7.4 Computation of product cost using Activity Based Costing.</p>
8. COSTING METHODS	
8.1 Job/Batch Costing	<p>8.1.1 Purpose and circumstances under which Job/Batch Costing is applied.</p> <p>8.1.2 Ascertainment of cost of a job or batch.</p>
8.2 Contract Costing	<p>8.2.1 Meaning and characteristics.</p> <p>8.2.2 Preparation of Contract Accounts and Contractee's Account.</p>
8.3 Service Costing	<p>8.3.1 Meaning and objectives of Service Costing.</p> <p>8.3.2 Organizations that use Service Costing.</p> <p>8.3.3 Ascertainment of cost per unit of services rendered.</p>
8.4 Process Costing	<p>8.4.1 Explanation and circumstance where process costing is applied</p> <p>8.4.2 Terminologies in process costing e.g joint-products, by-products, scrap, waste, etc.</p>

TOPICS	NOTES
9.0 COSTING TECHNIQUES	<p>8.4.3 Preparation of process accounts including Normal loss, Abnormal Loss and Abnormal gain.</p>

9.1 Marginal and Absorption Costing	<p>9.1.1 Meaning and distinction between Marginal and Absorption Costing.</p> <p>9.1.2 Terminologies used in Marginal and Absorption Costing - fixed cost, variable cost, semi-variable costs, contribution, period and product costs. etc.</p> <p>9.1.3 Preparation of Income Statement using both Marginal and Absorption costing.</p>
9.2 Break Even Analysis	<p>9.2.1 Meaning, importance, assumptions and limitations of break-even analysis.</p> <p>9.2.2 Computation of break-even points in units and values from given data including segregation of costs ( using high and low method).</p> <p>9.2.3 Preparation and interpretation of break-even charts.</p>
10.0 BUDGETING AND BUDGETARY CONTROL	<p>10.1 Explanation of basic terminologies in Budgeting and Budgetary control.</p> <p>10.2 Budgeting process and Administration.</p> <p>10.3 Importance of Budgeting and Budgetary control.</p> <ul style="list-style-type: none"> <li>- Preparation of budgets will be limited to cash sales, material usage, material purchase and production budgets.</li> </ul> <p>10.4 Functional budgets:</p> <ul style="list-style-type: none"> <li>- Sales, production, capital expenditure, etc.</li> </ul> <p>10.5 Cash budget and master budget.</p>
11.0 STANDARD COSTING	<p>11.1 Meaning and importance of Standard Costing</p> <p>11.2 Types of Standards.</p> <p>11.3 Computation of variances:</p> <ul style="list-style-type: none"> <li>• Material (price and usage)</li> <li>• Labour (rate and efficiency).</li> </ul>

TOPICS	NOTES
12.0 COST ACCOUNTS	12.1 Interlocking cost accounts.

	12.2 Preparation of cost ledger accounts. 12.3 Reconciliation of cost and financial profits. 12.4 Integrated Cost accounts.  12.5 Preparation of ledger accounts and income statements.
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### SUGGESTED READING LIST

#### A. RECOMMENDED TEXT BOOKS

Cost Accounting - by Harper, W.M - Published by Pitman Publishing Ltd.

Cost Accounting - by T. Lucey - Published by DPP Publications Ltd

Weldon's Cost Accounting - Published by Macdonald and Evans Ltd. - by  
Owler, L.W.J and Brown, J.L

Principles of Cost Accounting for - Published by Longman for the  
Senior Secondary Schools in Ghana Ministry of Education, Ghana (1991).

Cost Accounting – by Drury, Colin - Published by Professional Heinemann  
Publishing.

#### B. OTHER SUGGESTED LOCAL TEXTS /PAMPLETS/JOURNALS IN GHANA

1. Costing Made Easy – by Kingsford Opoku (Kings Series)
2. Costing for 'U' – by Barnabas Dadzie (C for 'U' Series).
3. Cost Accounting for Senior High School - by Williams Asamoah Appiah (AKI-OLA Series)-AKI-OLA Publications, Accra