**Courtesy: WAEC**

**Uploaded Online by: www.myedugist.com**

**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 2. CHARACTERISITICS OF A GOOD COSTING SYSTEM      1. COST CLASSIFICATION   AND TYPES OF COST   1. ELEMENTS OF COST | * 1. Definitionand objectives of CostAccounting.   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 Cost Centre, cost unit, unit cost etc.  2.1 Characteristics of a goodCosting System e.gsimple, relevant, accurate,  cost-effective etc  2.2 Qualities of good Cost information  e.g brief, timely, comparable,  objective etc.   * 1. Basis of cost classification:   Classification of cost according to  behaviour, function, nature etc.  3.2 Types of cost under various  Classifications eg. direct cost, indirect cost, period cost,  historical cost, sunk cost, etc.  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.  4.1 Explanation of elements of cost i.e  Material, Labour and Expenses.  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. |

|  |  |
| --- | --- |
| **TOPICS** | **NOTES** |
| 1. MATERIALS 2. LABOUR 3. OVERHEADS | 5.1 Purchasing, receiving, storage and their documentation.  5.2 Stocktaking: periodic and continuous and perpetual inventory system.  5.3 Inventory control – Minimum,  Maximum, Re-order stock levels and  Economic Order Quantity.  (computation of Economic Order  Quantity is not required).  5.4 Pricing of issues and Stock valuation using FIFO, LIFO,Simple Average, Weighted Average,Standard Price methods and their advantages and  disadvantages.  6.1 Labour: Meaning and types of labour and labour cost:- skilled and unskilled.  - direct and indirect.  6.2 Methods of labour remuneration:  - Time rate  - Piece rate: straight piece rate,  differential piece rate, price rate with guaranteed time rate.  - incentive schemes: premium bonus, overtime premium.  6.3 Methods of time keeping and concept of idle time.  6.4 Payroll procedures:  -Preparation of wages analysis sheet  -statutory and non-statutory deductions should be emphasized. (questions will be limited to computation of individual  bonus schemes).  6.5 Labour Turnover: Meaning, causes and  cost.  -Labour turnover ratio.  7.1 Definition of overheads.  7.2 Types of overheads.  7.3 Overhead analysis, collection,  classification, allocation, apportionment and redistribution. |

|  |  |
| --- | --- |
| **TOPICS** | **NOTES** |
| 8. COSTING METHODS  8.1 Job/Batch Costing  8.2 Contract Costing  8.3 Service Costing  8.4 Process Costing | 7.4 Overhead Absorption:  - Calculation of Overhead Absorption Rates (OAR) e.g Direct Wages Percentage, Direct Material Cost Percentage, Machine Hour Rate, Prime  Cost percentage, etc.  7.5 Application of Overhead Absorption Rates.  7.6 Calculation of under/over absorption of overheads.  7.7 Activity Based Costing:  7.7.1 Meaning, advantages and disadvantages of Activity Based Costing (ABC).  7.7.2 Steps in Activity Based Costing.  7.7.3 Differences between Activity Based Costing and Traditional Product Costing systems.  - limitations of Traditional Product Costing System.  7.7.4 Computation of product cost using  Activity Based Costing.  8.1.1 Purpose and circumstances under  which Job/Batch Costing is applied.  8.1.2 Ascertainment of cost of a job or batch.  8.2.1 Meaning and characteristics.  8.2.2 Preparation of Contract Accounts  and Contractee’s Account.  8.3.1 Meaning and objectives of Service Costing.  8.3.2 Organizations that use Service Costing.  8.3.3 Ascertainment of cost per unit of services rendered.  8.4.1 Explanation and circumstance where  process costing is applied  8.4.2 Terminologies in process costing e.g joint-products, by-products, scrap, waste, etc. |

|  |  |
| --- | --- |
| **TOPICS** | **NOTES** |
| 9.0 COSTING TECHNIQUES  9.1 Marginal and Absorption Costing    9.2 Break Even Analysis  10.0 Budgeting and Budgetary Control  11.0 STANDARD COSTING | 8.4.3 Preparation of process accounts  including Normal loss, Abnormal  Loss and Abnormal gain.  9.1.1 Meaning anddistinction  between Marginal and Absorption  Costing.  9.1.2 Terminologies used in Marginal and  Absorption Costing - fixed cost, variable  cost, semi-variable costs, contribution,  period and product costs. etc.  9.1.3 Preparation of Income Statement using  both Marginal and Absorption costing.  9.2.1 Meaning, importance, assumptions and  limitations of break-even analysis.  9.2.2 Computation of break-even points in  units and values from given data  including segregation of costs ( using  high and low method).  9.2.3 Preparation and interpretation of  break-even charts.  10.1 Explanation of basic terminologies in  Budgeting and Budgetary control.  10.2 Budgeting process and Administration.  10.3 Importance of Budgeting and  Budgetary control.  - Preparation of budgets will be limited  to cash sales, material usage, material  purchase and production budgets.  10.4 Functional budgets:  - Sales, production, capital expenditure,  etc.  10.5 Cash budget and master budget.  11.1 Meaning and importance of Standard  Costing  11.2 Types of Standards.    11.3 Computation of variances:   * Material (price and usage) * Labour (rate and efficiency). |

|  |  |
| --- | --- |
| **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. |

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 andEvans Ltd. - by Owler, L.W.J and Brown, J.L

Principles of Cost Accounting for - Published by Longmanfor 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 HighSchool - by Williams Asamoah Appiah

(AKI-OLA Series)-AKI-OLA Publications, Accra

c

**Courtesy: WAEC**

**Uploaded Online by: www.myedugist.com**