

## Knowledge, skills and understanding Content

To prepare students for the final assessment of this qualification, the following content must be covered.

### 1. Introduction to cost accounting

Subject content	What students need to learn
	Students will need to be able to apply their knowledge and understanding of the following in a business context
1.1 The role of cost accounting in business	a) The meaning and purpose of cost accounting
	b) The features of cost accounting and financial accounting
	c) The classification of costs by element and function
	d) The classification of costs by behaviour into variable, semi-variable, stepped/semi-fixed and fixed categories
	e) The features and calculation of direct and indirect costs
	f) The elements of a prime cost and calculation and use of prime costs
	g) The classification of costs into cost centres and cost units
	h) The features, selection and application of suitable cost centres and cost units
	i) The principles of cost code design
	j) The construction and interpretation of a simple cost code for a given situation
	k) The purpose of the main documents used in purchases and revenue: <ul style="list-style-type: none"> <li>• purchase requisition notes</li> <li>• purchase orders</li> <li>• delivery advice notes</li> <li>• goods received notes</li> <li>• goods returns notes</li> </ul>
Subject content	What students need to learn

	<ul style="list-style-type: none"> <li>• purchase invoices</li> <li>• sales invoices</li> <li>• debit notes</li> <li>• credit notes</li> <li>• remittance advice notes</li> <li>• remittance,</li> <li>• statement</li> </ul>
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## 2. Accounting for materials, labour and overheads

Subject content	What students need to learn
	Students will need to be able to apply their knowledge and understanding of the following in a business context
2.1 Material cost	a) The purpose of the main documents used in the process of: <ul style="list-style-type: none"> <li>• ordering materials</li> <li>• receiving materials</li> <li>• storing materials</li> <li>• issuing materials</li> </ul>
	b) The calculation and implications of the reorder level, reorder quantity, maximum inventory control level and minimum inventory control level
	c) The calculation and implications of material requirements, making allowance for sales, product inventory changes and material inventory changes
	d) The price issues of inventory using First In First Out (FIFO), Last In First Out (LIFO) and weighted average (AVCO) methods
	e) The preparation and use of records of inventory movement in quantity and value terms
	f) The contrasting effects and implications of alternative pricing methods on inventory values, cost of sales and reported profits
	g) The reasons for discrepancies/differences between the inventory record and physical inventory
Subject content	What students need to learn

<p>2.2 Labour cost</p>	<p>a) The purpose and application of the main documents used in labour utilisation:</p> <ul style="list-style-type: none"> <li>• time sheets</li> <li>• clock cards</li> <li>• job cards</li> </ul>
	<p>b) The costs to a business as a result of employing people (unskilled, semi-skilled and skilled) and the costs relating to labour turnover</p>
	<p>c) The features and implications of adopting the following methods of remuneration and their effect on unit costs:</p> <ul style="list-style-type: none"> <li>• basic pay</li> <li>• time rate</li> <li>• piecework rate</li> <li>• overtime</li> <li>• bonus schemes (time-saved and output-based)</li> </ul>
	<p>d) The calculation and use of</p> <ul style="list-style-type: none"> <li>• total gross earnings</li> <li>• overtime premium</li> <li>• bonus schemes</li> <li>• idle time</li> </ul>
	<p>e) The analysis of total gross earning into direct and indirect costs</p>
	<p>f) The meaning, use and implications of zero hour contracts</p>
<p>2.3 Overhead costs</p>	<p>a) The sources of overhead costs</p>
	<p>b) The purpose of overhead allocation, apportionment and absorption</p>
	<p>c) Calculation and application of apportionment using an appropriate basis and its implications</p>
	<p>d) The calculation and application of appropriate overhead absorption rates and its implications</p>

**3. Methods of costing**

Subject content	What students need to learn
	Students will need to be able to apply their knowledge and understanding of the following in a business context
3.1 Job and batch costing	a) The preparation and application of a job cost
	b) The preparation and application of a batch cost
	c) The features of job and batch costing
	d) The calculation of a selling price, total cost and profit based on mark-up or margins
	e) The application of cost plus pricing
3.2 Marginal costing	a) The application of marginal costing as a technique
	b) The features of marginal and absorption costing; including calculation of profit and inventory values
	c) Understand the aspects of marginal costing: variable cost, fixed cost, contribution, break-even point and total contribution
	d) The calculation and application of contribution, total contribution and total profit or loss
	e) The calculation and application of a contribution/sales (C/S) ratio for a single product
	f) The calculation of break-even in revenue and sales units for a single product
	g) The calculation and determination of the margin of safety in revenue and sales units
	h) The calculation and use of required sales for a given profit
	i) Construction of a single product conventional break- even chart
	j) The determination of the break-even point from a chart
	k) The assumption and limitations upon which cost- volume profit (CVP) analysis is based

#### 4. Introduction to budgeting and standard costing

Subject content	What students need to learn
	Students will need to be able to apply their knowledge and understanding of the following in a business context
4.1 Budgetary planning and control	a) The features of a forecast and a budget
	b) Understand the use of budgets
	c) The reasons for and the advantages and disadvantages of using budgets
	d) The allocation of costs to budget areas
4.2 Standard costing and variances	a) Understand standard cost, budgeted cost, adverse variance and favorable variance
	b) The calculation of the total direct material variance and analysis of this into a material price and a material usage variance.
	c) The calculation of the total direct labour variance and analysis of this into a labour rate and a labour efficiency variance
	d) Understand material variance and labour variances
	e) The calculation of the total fixed production overhead variance
	f) The reasons for and actions required as a result of labour and material calculated variances

#### 5. Working capital management

## 6. Decision making

Subject content	What students need to learn
	Students will need to be able to apply their knowledge and understanding of the following in a business context
6.1 Investment appraisal	a) The meaning and purpose of an investment appraisal
	b) The preparation and interpretation of capital investment appraisals using <ul style="list-style-type: none"> <li>• non-discounted Payback</li> <li>• Accounting Rate of Return</li> </ul>
	c) Understand non-financial factors relating to investment appraisal
	d) Understand ways to deal with cash surplus or a cash deficit

## 7. Introduction to Management Information Systems

Subject content	What students need to learn
	Students will need to be able to apply their knowledge and understanding of the following in a business context
7.1 The role of Management Information Systems (MIS) in cost accounting	a) Understand the information needs of a business organisation
	b) Understand the internal and external sources of data available to business
	c) The features of data and information
	d) Understand accounting software packages in cost and management accounting
	e) Understand the importance of confidentiality and security when dealing with management information

The following skills should be developed throughout the course of study.

Skills	Students should:
	a) Understand the role of cost accounting in business and how costs are classified
	b) Account for material, labour and overhead costs
	c) Understand and prepare job and batch costs
	d) Understand and apply marginal costing techniques
	e) Plan budgets
	f) Manage cash flow through preparation of a cash flow budget
	g) Prepare capital investment appraisals using traditional techniques
	h) Understand the role of MIS in cost accounting
	i) Make recommendations and suggest appropriate actions in a range of scenarios