

MBAH 502: STRATEGIC COST MANAGEMENT

Workload : 4 hours per week. - Total credits: 4

Examination : 3 hours 70 marks

Objectives:

1. To appreciate the importance of the application of management accounting concepts.
2. To understand the various cost analysis required in business functioning.
3. To prepare various statements related to financial position of a firm.

Course outcome

4. To take decisions using management accounting tools
5. To understand the budgetary control techniques
6. To have knowledge about cost analysis for decision making
7. To Analyse the financial positions of the companies.

1. Analyse the CVP techniques to determine optimal managerial decision
2. Experiencing on budgeting techniques
3. Making decision on cost analysis
4. use the theoretical knowledge for decision making
5. Analyse the financial position of the companies
6. Understand the practical difficulties in cost management
7. Able to prepare budgets for companies

Pedagogy : Lectures, assignments, practical exercises, discussions, seminars.

Module 1, Overview of Strategic cost management: Cost management- Meaning, Phases, Benefits, Steps, Techniques; Strategic Cost management - Meaning and Components. Role of Management Accountant in Strategic Cost Management, Strategic Total Cost Management, Strategic Cost Analysis, Cost Leadership Strategy, Cost Control and Reduction Systems. Types of cost management programs, precautions in cost management programs, Value Engineering and its phases, Value Analysis, Brief description of Operations Research Techniques in cost reduction, Business Process Re-engineering.

Module 2, Cost Concepts and Application of Marginal Costing in Decision making: Types of cost; Importance of behavior-wise cost classification, Methods of splitting semi- variable cost. Marginal costing; Key or Limiting factor Analysis. Utility and Limitations of marginal costing, Practical decision-making involving cost analysis- Make or Buy decisions, Introduction of new product and diversification, Discontinuing of product, Market Expansion and Contraction, Accepting/Reject special offer below total cost or domestic price, Fixation of selling price, Temporary shutdown.

Module 3, Activity Based Cost (ABC) System: Reasons for emergence of ABC Systems, Activity based on Costing- Meaning, Objectives, Steps in ABC. Terminologies- Cost pools, Cost Drivers, Cost Objects, ABC System and Strategic decision making- New concepts in ABC- Activity Based Budgeting, Activity Based

Management, Activity Based Accounting, Customer Costing, Customer Profitability Analysis.

Module 4, Target Costing: Concept of target Costing- Basic premises, Common procedure, Major concepts, Possibilities, Steps in Target Costing approach, Benefit of Target Costing, Target Costing Methodology, Methods of establishing Target Costing- Subtraction Method, Additional Method, Integrated Method. Role of Management Accountant in Target Costing, Target Cost Management, Ascertainment of Total Target Cost; Cost Tables, Attributable costing.

Module 5, Responsibility Accounting and Divisional Profitability: Concept of Responsibility Accounting- Basic principles, constraints in introducing responsibility accounting, requirements for setting up responsibility accounting, responsibility report, cost centre, profit centre, investment centre, extent of manager's control over responsibility centre, revenue centre, divisional income statement, divisional profitability- ROCE method, divisional profitability- residual income method - evaluation of ROCE and residual income method.

Module 6, Interdivisional Transfer Pricing: Transfer pricing system –Cost-based Transfer Pricing – Market-based transfer pricing, Negotiated transfer pricing by prorating overall contribution; Transfer Pricing- General rule, General conflicts in fixation of transfer prices, Proposal for resolving transfer pricing conflicts, International transfer pricing.

Module 7, Pareto Analysis: Pareto analysis- meaning, uses, practical applications of Pareto analysis.

Module 8, Productivity Management: Meaning, measurement of productivity, ratios in measuring productivity, Productivity Index and Total Productivity Index, Productivity of material, labour, capital and other factors, productivity of management resources, productivity and profitability, productivity and value added, productivity and quality; Importance of human factor in productivity drive, productivity objective, productivity plan, productivity audit, total productivity management, performance management reports.

Module 9, Balanced Score Card (BSC): Balanced Score Card- Four Perspectives, Stages in developing BSC, Information required under BSC, BSC and improvement of strategic performance, Performance measures in BSC, Benefits and limitations of BSC.

References:

1. Kishore RaviM (2018): *Strategic Cost Management, 5th edition*, Taxmann Publications Private Limited.
2. JawaharLal(2015): *Strategic Cost Management*, Himalaya Publishing House.
3. BandgarP.K(2016): *Strategic Cost Management*, Himalaya Publishing House.
4. Saxena, V. K. (2018). *Strategic Cost Management and Performance Evaluation*, Sultan Chand Publications
5. Padhukas(2019): *Students Handbook on Strategic Cost management and Performance Evaluation*, Wolfers Kluwer Publication.
6. Paresh Shah (2015). *Management Accounting*, Oxford Publications