



Fundamental Financial and Cost Accounting



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PREFACE

One of the important elements of business sustainability is a good recording of financial transactions and the ability to manage costs to the minimum and hence, maximise profit. Thus, this book entitled *Fundamental Financial and Cost Accounting* is written for the students, either from business or non-business and public at large, particularly small entrepreneurs.

This book offers comprehensive coverage of the basic knowledge and understanding of costing, management accounting, and financial accounting. It has complete content and exercises to facilitate readers towards self-learning and help facilitators such as a lecturer. This is a new approach to learning that follows 21st Century Learning and Sustainable Development Goals (SDGs).

In preparing this book, the authors tried to write the content in the most understandable manner and avoid complex explanations. This is due to our aim for this book to be used primarily by the students and public that do not have any accounting and costing background. Every chapter provides worked examples to illustrate the applications of the fundamental principles and concepts, thereby enhancing understanding of each chapter.

Chapter 1

INTRODUCTION TO COST AND MANAGEMENT ACCOUNTING

LEARNING OUTCOMES

At the end of this topic, students should be able to:

- Explain the differences between management and financial accounting.
- Explain cost terms and concepts used in management accounting.
- Explain other types of cost classification.

INTRODUCTION

There are various branches of accounting that include financial accounting and management accounting. This chapter is the introductory part of the whole subject. It explains further the scope of these accounting branches and provides an understanding of the basic cost terms and concepts that are used in management accounting.

COST AND MANAGEMENT ACCOUNTING

Cost Accounting

Cost accounting is an integral part of management accounting. The Chartered Institute of Management Accountants (CIMA) has defined cost accounting as 'the collection of cost information and its association with cost objects, the establishment of budgets, standard costs, and actual costs of operations, processes, activities, or products, and the analysis of variances, profitability, or the social use of funds'.

Cost accounting is centred on the computation, control, and reduction of costs to meet the requirements of internal management. It encompasses the preparation of statistical data, the application of cost control methods, and the determination of the profitability of activities carried out or planned to assist operational and tactical decisions.



This textbook provides a thorough introduction to the principles and practices of financial and cost accounting, combining theory with practical applications for decision-making. It covers key topics, including cost classification, material and labour costing, overhead allocation, and the preparation of cost statements using absorption and marginal costing. The text also introduces financial accounting, detailing the preparation and analysis of financial statements such as the Statement of Profit or Loss and the Statement of Financial Position. With chapters on inventory management, payroll systems, and financial statement interpretation through ratio and trend analysis, the book equips readers with tools to assess organisational performance and improve resource efficiency. Designed for students, professionals, and business owners, it emphasises clarity, real-world examples, and step-by-step guidance, making it an essential resource for mastering the fundamentals of accounting and their application in both academic and professional contexts.

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