

## ACC 121

### PRINCIPLES OF MANAGERIAL ACCOUNTING

#### COURSE DESCRIPTION:

Prerequisites: ACC 120

Corequisites: None

This course includes a greater emphasis on managerial and cost accounting skills. Emphasis is on managerial accounting concepts for external and internal analysis, reporting and decision-making. Upon completion, students should be able to analyze and interpret transactions relating to managerial concepts including product-costing systems. *This course has been approved to satisfy the Comprehensive Articulation Agreement for transferability as a pre-major and/or elective course requirement.* Course Hours Per Week: Class, 3. Lab, 2. Semester Hours Credit, 4.

#### LEARNING OUTCOMES:

Upon completion of this course, the student will be able to:

1. Function effectively on the job
  - a. Use current accounting terminology
2. Use quantitative and qualitative tools and methods
  - a. Obtain information from financial statement and/or ratio analysis and interpret and communicate the results
  - b. Obtain information for capital expenditure proposals and perform a lease versus buy analysis
3. Classify accounts and record transactions
  - a. Analyze simple and complex business transactions
  - b. Convert items from cash basis to accrual basis
4. Account for specific industries and organizational structures
  - a. Apply business law concepts to accounting
  - b. Account for manufacturing firms
  - c. Use and interpret various job/product costing systems
  - d. Understand the accounting for merchandising, service and professional organizations
  - e. Apply budgeting concepts to various organizations and industries and prepare pertinent budgets and reports (non-profit budgeting, capital budgeting, etc.)
  - f. Compute and interpret variances from budgets and standards
  - g. Provide information regarding the interrelationships between financial and non-financial information
5. Complete the accounting cycle and use its outputs
  - a. Document/flowchart various accounting cycle cost flows

#### OUTLINE OF INSTRUCTION:

## ACC 121

- I. An Introduction to Managerial Accounting and Cost Concepts
  - A. The work of Management and the need for Managerial Accounting Information
  - B. Comparison of Financial and Managerial Accounting
  - C. General Cost Classifications: Manufacturing & Non manufacturing Costs
  - D. Product Cost versus Period Costs
  - E. Cost Classifications on Financial Statements
  - F. Product Cost Flows: Inventoriable Costs
  - G. Cost Classification for Predicting Cost Behavior: Variable & Fixed Costs
  - H. Cost Classification for Assigning Costs to Cost Objects: Direct & Indirect Costs
  - I. Cost Classification for Decision Making
    - 1.) Differential Cost and Revenue
    - 2.) Opportunity Cost
    - 3.) Sunk Cost
  
- II. Systems Design: Job-Order Costing
  - A. Process and Job-Order Costing
  - B. Job Order Costing – An Overview
    - 1.) Measuring Direct Materials Cost
    - 2.) Job Cost Sheet
    - 3.) Measuring Direct Labor Cost
    - 4.) Application of Manufacturing Overhead
    - 5.) Using Pre-determined Overhead Rate
    - 6.) Choice of an Allocation Base for Overhead Cost
    - 7.) Computation of Unit Costs
    - 8.) Summary of Document Flows
  - C. Job-Order Costing- The Flow of Costs
  - D. Problems of Overhead Application
  - E. Job-Order Costing in Service Companies
  
- III. Systems Design: Activity-Based Costing
  - A. Assigning Overhead Costs to Products
  - B. Plant-wide Overhead Rate
  - C. Departmental Overhead Rates
    - 1.) Activity-Based Costing
  - D. Designing an Activity-Based Costing System
  - E. Using Activity-Based Costing
    - 1.) Direct Labor hours as a Base
    - 2.) Computing Activity Rates
    - 3.) Computing Product costs
    - 4.) Shifting of Overhead Costs
  - F. Targeting Process Improvements
  - G. Evaluation of Activity-Based Costing
  - H. Cost Flows in an Activity-Based Costing system
  
- IV. Systems Design: Process Costing
  - A. Comparison of Job-order and Process Costing

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- B. Cost Flows in Process Costing
  - 1.) Processing Departments
  - 2.) The Flow of Materials, Labor, and Overhead Costs & Entries
- C. Equivalent Units of Production
  - 1.) Weighted-Average Method
- D. Production Report – Weighted Average Method
  - 1.) Prepare Quantity Schedule and Compute Equivalent Units
  - 2.) Compute the Cost per Equivalent Unit
  - 3.) Prepare a Cost Reconciliation
  
- V. Cost Behavior: Analysis And Use
  - A. Types Of Cost Behavior Patterns
    - 1.) Variable costs
    - 2.) True Variable versus Step-Variable Costs
    - 3.) The Linearity Assumption and the Relevant Range
    - 4.) Fixed Costs and the Relevant Range
    - 5.) Mixed Costs
  - B. The Analysis of Mixed Costs
    - 1.) Diagnosing Cost Behavior with a Scattergraph Plot
    - 2.) The High-Low Method
    - 3.) The Least-Squares Regression Method
  - C. The Contribution Format Income Statement
  
- VI. Cost-Volume Profit Relationships
  - A. The basics of Cost-Volume Profit Analysis (CVP) Analysis
    - 1.) Contribution Margin
    - 2.) CVP Relationships in Graphic Form
    - 3.) Prepare the CVP graph
    - 4.) Contribution Margin Ratio
  - B. Some Applications of CVP Concepts
    - 1.) Change in Fixed Cost and Sales Volume
    - 2.) Change in Variable Cost and Sales Volume
    - 3.) Change in Variable Cost, Fixed Cost, and Sales Volume
    - 4.) Change in Regular Sales Price
  - C. Break-Even Analysis
    - 1.) Break-Even Computations
    - 2.) The Equation Method
    - 3.) The Contribution Method
    - 4.) Target Profit Analysis
      - a.) The CVP Equation
      - b.) The Contribution Margin Approach
      - c.) The Margin of Safety
  - D. CVP Considerations in Choosing a Cost Structure
  - E. Structuring Sales Commissions
  - F. Sales Mix
  - G. Assumptions of CVP Analysis

- VII. Profit Planning
  - A. The Basic Framework of Budgeting
    - 1.) Advantages of Budgeting
    - 2.) Choosing a Budget Period
    - 3.) The Self-Imposed Budget
    - 4.) Human factors in Budgeting
    - 5.) Zero-Based Budgeting
  - The Budget Committee
  - B. Preparing the Master Budget
    - 1.) The Sales Budget
    - 2.) The Production Budget
    - 3.) The Direct Materials Budget
    - 4.) The Direct Labor Budget
    - 5.) The Manufacturing Overhead Budget
    - 6.) The Ending Finished Goods Inventory Budget
    - 7.) The Selling & Administrative Budget
    - 8.) The Cash Budget
    - 9.) The Budgeted Income Statement
    - 10.) The Budgeted Balance Sheet
  
- VIII. Standard Costs
  - A. Management by Exception
  - B. Setting Standard Costs
  - C. A general model for Variance Analysis
  - D. Using Standard Costs – Direct Materials
  - E. Variances
    - 1.) Material Price Variances
    - 2.) Materials Quantity Variance
  - F. Using Standard Costs – Direct
  - G. Labor Variances
  - H. Using Standard Costs – Variable Manufacturing Overhead Variances
  - I. Variance Analysis and Management By Exception
  - J. Evaluation of Controls Based On Standard Costs
  - K. Balanced Score Card
  
- IX. Flexible Budgets and Overhead Analysis
  - A. Flexible Budgets
    - 1.) Characteristics of a Flexible Budget
    - 2.) Deficiencies of a Static Budget
    - 3.) How a Flexible Budget Works
    - 4.) Using the Flexible Budgeting Concept in Performance Evaluation
    - 5.) The Measure of Activity – A Critical Choice
  - B. Variable Overhead Variances
    - 1.) Actual vs. Standard Hours
    - 2.) Spending Variance Alone

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- 3.) Both Spending and Efficiency Variance
- 4.) Activity-Based Costing & the Flexible Budget
- C. Overhead Rates & Fixed Overhead Analysis
  
- X. Relevant Costs For Decision Making
  - A. Cost Concepts for Decision Making
    - 1.) Identifying Relevant Costs and Benefits
    - 2.) Different Costs For Different Purposes
    - 3.) Reconciling the Total and Differential Approaches
  - B. Adding and Dropping Product Lines and Other Segments
    - 1.) Illustration of Cost Analysis
    - 2.) A Comparative Format
    - 3.) Beware of Allocated Fixed Costs
  - C. The Make or Buy Decision
  - D. Opportunity Costs
  - E. Special Orders
  - F. Pricing New Products
  - G. Utilization Of A Constrained Resource
  
- XI. Statement Of Cash Flows
  - A. The Basic Approach To A Statement Of Cash Flows
  - B. An Example Of A Simplified Statement Of Cash Flows
  - C. Organization of the Full Fledged Statement Of Cash Flows
    - 1.) Operating Activities
    - 2.) Investing Activities
    - 3.) Financing Activities
  - D. Other Issues In Preparing The Statement Of Cash Flows
    - 1.) Cash Flows: Gross or Net ?
    - 2.) Operating activities: Direct or Indirect Method
  - E. An Example Of a Full-Fledged Statement Of Cash Flows
  
- XII. Financial Statement Analysis
  - A. Limitations Of Financial Statement Analysis
  - B. Statements In Comparative And Common-Size Form
  - C. Ratio Analysis – The Common Stockholder
    - 1.) Earnings per share
    - 2.) Price-Earnings Ratio
    - 3.) Dividend Pay-out and Yield Ratios
      - a.) Return on Total Assets
      - b.) Return on Total assets
      - c.) Return on Common Stockholders' Equity
      - d.) Financial Leverage
      - e.) Book Value per Share
  - D. Ratio Analysis - The Short-Term Creditor
    - 1.) Working Capital
    - 2.) Current Ratio

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- 3.) Acid Test (Quick) Ratio
- 4.) Accounts Receivable Turnover
- E. Ratio Analysis – The Long-Term Creditor
  - 1.) Times Interest Earned Ratio
  - 2.) Debt-to-Equity Ratio

### **REQUIRED TEXTBOOK AND MATERIALS:**

See DTCC web site.

### **STATEMENT FOR STUDENTS WITH DISABILITIES:**

Students who require academic accommodations due to any physical, psychological, or learning disability are encouraged to request assistance from a disability services counselor within the first two weeks of class. Likewise, students who potentially require emergency medical attention due to any chronic health condition are encouraged to disclose this information to a disability services counselor within the first two weeks of class. Counselors can be contacted by calling 686-3652 or by visiting the Student Development Office in the Phail Wynn Jr. Student Services Center, room 1309.