

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:

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- 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:

To be selected by Instructor/Discipline Chair.