

AC-325 Cost Accounting

Course Description:

This is a one-semester course that covers cost accounting system output relevant to managerial decision-making, planning and control. The course builds on the foundation already established by the managerial accounting course completed by the student. Topics covered include absorption/variable costing and CVP analysis, relevant costing, budgeting, financial management, inventory and production management techniques, emerging management practices, responsibility accounting and transfer pricing, and measurement of short- and long-run organizational performance.

A. PROGRAM LEARNING OUTCOMES (PLOs):

The student will be able to:

1. Demonstrate an understanding of *intermediate accounting* principles by describing the financial reporting environment and the conceptual framework of financial accounting, analyzing financial statements in detail, and accounting for cash and receivables, inventories, property, plant and equipment, intangibles, liabilities, stockholders' equity, and other special areas.
2. Demonstrate an understanding of *cost accounting* systems relevant to managerial-decision making, planning and control by solving problems involving various costing and budgeting methods; by applying financial, inventory and production management techniques in cost accounting; and by accurately measuring short- and long-term organizational performance.
3. Demonstrate competence in analyzing and recording various transactions for state and local *governments*, the federal government, colleges and universities, and other *nonprofit organizations*; in preparing and interpreting financial statements; and in explaining differences between public and private sector accounting.
4. Demonstrate an understanding of wide range of tax concepts with special focus on the *taxation* of business entities in the United States and the Federated States of Micronesia and a minor emphasis on the individual taxation in the two countries.
5. Demonstrate an understanding of the *statistical methods* of sampling and estimating population statistics and competence in using computer software to calculate point estimates and confidence intervals and use statistical methods to test hypotheses, recognize trends and make forecasts to support decisions in the business/economics environment
6. Apply knowledge acquired from accounting and other courses by solving real world accounting and general workplace problems in a particular organization in the COM-FSM *Internship Program*.

B. STUDENT LEARNING OUTCOMES (SLOs) – GENERAL:

The student will be able to:

1. Develop a deeper understanding of managerial information needs and processes in an organization.
2. Describe the role of cost accounting in providing planning, controlling, decision-making and performance evaluation information needed by the organization.

SLO	PLO1	PLO2	PLO3	PLO4	PLO5	PLO6
1		IDM				
2		IDM				

I = Introduced

D = Demonstrated

M = Mastered

C. STUDENT LEARNING OUTCOMES (SLOs) – SPECIFIC:

The student will be able to:

General SLO 1. Develop a deeper understanding of managerial information needs and processes in an organization.

Student learning outcomes	Assessment strategies
1.1 Identify and calculate the following: 1) Cost accumulation / cost presentation. 2) Absorption / variable costing. 3) Product / period costs. 4) Cost-volume-profit analysis. 5) Contribution margin in units and dollar. 6) Break-even point in unit dollars. 7) Sale cost of goods sold, gross profit and net income. 8) Profit before and after taxes based on fixed cost.	Pre-/Post-Testing Assignment Exam

9) Incremental analysis.	
10) Degree of operating leverage.	
1.2 Explain the concept of relevance and sunk costs by the following: • Association with decision. • Importance to decision maker • Bearing on the future • Outsourcing, scarce resources, sales mix and product line decisions	Pre-/Post-Testing Assignment Exam
1.3 Describe the Master Budget and prepare the following components of budgets: • Operating / financial • Sales / production • Personnel • Capital • Cash • Budgeted financial statements	Pre-/Post-Testing Assignment Exam
1.4 Explain the purpose of capital budgeting and calculate the following: 1) Cash flow using time-lines and payback period. 2) Discounted cash flow using NPV, profitability index, and IRR. 3) The effect of depreciation on after-tax cash flows.	Pre-/Post-Testing Assignment Exam

General SLO 2. Describe the role of cost accounting in providing planning, controlling, decision-making and performance evaluation information needed by the organization.

Student learning outcomes	Assessment strategies
2.1 Identify and describe the various elements of cost control: • Cost control systems and cost changes. • Committed vs. discretionary costs. • Use of budgets as a cost control tool.	Pre-/Post-Testing

• Activity-based budgeting. • Program budgeting. • Zero-based budgeting.	
2.2 Explain the following: 1) The importance of inventory management. 2) Production flow. 3) The use of flexible manufacturing systems and how they relate to computer-integrated manufacturing. 4) The theory of constraints. 5) Purchasing costs and carrying costs and how they are computed. 6) Pull systems of production control work. 7) Product life cycles and how they affect product costing and profitability. 8) Target costing/just-in-time philosophy and how they affect production.	Pre-/Post-Testing
2.3 Explain the concepts of the following: 1) Business reengineering and change. 2) Competitive force/diversity in the firm. 3) Enterprise resources planning and its potential benefits to the firm. 4) Open-book management. 5) Environmental cost control.	Pre-/Post-Testing
2.4 Explain the following: 1) The differences among various types of responsibility centers. 2) The allocation of services department costs. 3) Transfer pricing and how it is calculated. 4) The advantages and disadvantages of service transfer prices.	Pre-/Post-Testing Exam

2.5 Describe the following:	
1) The importance of a vision statement to the firm.	
2) Long-run objectives vis-à-vis short-run objectives.	Pre-/Post-Testing
3) Non-financial performance measure.	Assignment
4) How activity-based costing is used in long-run performance evaluation.	
5) Performance measurement constraints.	

D. COURSE CONTENT

1. Absorption/Variable Costing and Cost-Volume-Profit analysis
2. Relevant Costing
3. The Master Budget
4. Capital Budgeting
5. Financial Management
6. Innovative Inventory and Production Management Techniques
7. Emerging Management Practices
8. Responsibility Accounting and Transfer Pricing in Decentralized Organizations
9. Measuring Long-Run and Non financial Organizational Performance

E. METHODS OF INSTRUCTION

- Lectures, Discussions, and Demonstrations (Illustrative Problems)
- Problem Solving and Case Analysis, with emphasis on problem solving and encouraging to think critically about business decisions
- Individual and Collaborative Activities – Research and Reporting
- Guest lecturer/resource speaker

F. REQUIRED TEXTS AND MATERIALS

Kinney, M.R. & Raiborn, C.A. (2011). *Cost Accounting: Foundations and Evolutions*. Ohio: South-Western Cengage Learning (or most recent edition).

G. REFERENCE MATERIALS

Hansen, D.R., Mowen, M.M., & Guan, L. (2009). *Cost Management: Accounting and Control*. . Ohio: South-Western Cengage Learning (or most recent edition).

Maher, M.W., Stickney, C.P., & Weil, R.L. (2008). *Managerial Accounting: An Introduction to Concepts, Methods and Uses*. Ohio: South-Western Cengage Learning (or most recent edition).

VanDerbeck, E.J. (2008). *Principles of Cost Accounting*. Ohio: Thomson South-Western (or most recent edition).

Walther, L. (2011). *Principles of Accounting*. Retrieved October 25, 2011, from <http://www.principlesofaccounting.com>

H. INSTRUCTIONAL COSTS

None

I. EVALUATION

This course requires a grade of “C” or better for the student to be able to transfer smoothly from COM-FSM into the fourth and final year at the University of Guam with which this program is articulated.

J. CREDIT BY EXAMINATION

None