



ILLINOIS VALLEY COMMUNITY COLLEGE

COURSE OUTLINE

DIVISION: Natural Sciences and Business

COURSE: ACT 2020 Cost Accounting

Date: Fall 2022

Credit Hours: 3

Complete all that apply or mark "None" where appropriate:

Prerequisite(s): ACT 1020

Enrollment by assessment or other measure? Yes No

If yes, please describe:

Corequisite(s): None

Pre- or Corequisite(s): None

Consent of Instructor: Yes No

Delivery Method: **Lecture** **3 Contact Hours** (1 contact = 1 credit hour)
 Seminar **0 Contact Hours** (1 contact = 1 credit hour)
 Lab **0 Contact Hours** (2-3 contact = 1 credit hour)
 Clinical **0 Contact Hours** (3 contact = 1 credit hour)
 Online
 Blended
 Virtual Class Meeting (VCM)

Offered: **Fall** **Spring** **Summer**

CATALOG DESCRIPTION and IAI NUMBER (if applicable):

A study of the process of generating accounting data which will be useful to management in performing the functions of planning and control and decision making. Topics emphasized include: product costing, cost-volume-profit relationships, and budgeting and standard costs.

ACCREDITATION STATEMENTS AND COURSE NOTES:

None

COURSE TOPICS AND CONTENT REQUIREMENTS:

1. Decision Making and Relevant Information
2. Strategy, Balanced Scorecard, and Strategic Profitability Analysis
3. Pricing Decisions and Cost Management
4. Cost Allocation, Customer-Profitability Analysis, and Sales-Variance Analysis
5. Allocation of Support-Department Costs, Common Costs, and Revenues
6. Cost Allocation: Joint Products and Byproducts
7. Process Costing
8. Spoilage, Rework, and Scrap
9. Balanced Scorecard: Quality and Time
10. Inventory Management, Just-in-Time, and Simplified Costing Methods
11. Capital Budgeting and Cost Analysis
12. Management Control Systems, Transfer Pricing, and Multinational Considerations

INSTRUCTIONAL METHODS:

1. Homework problems
2. Exams

EVALUATION OF STUDENT ACHIEVEMENT:

1. Homework problems
2. Exams

INSTRUCTIONAL MATERIALS:

Textbooks

Cost Accounting, A Managerial Emphasis, Horngren, Datar, Foster, Rajan, Ittner

Resources

MYACCOUNTINGLAB Access Card

LEARNING OUTCOMES AND GOALS:

Institutional Learning Outcomes

- 1) Communication – to communicate effectively;
- 2) Inquiry – to apply critical, logical, creative, aesthetic, or quantitative analytical reasoning to formulate a judgement or conclusion;
- 3) Social Consciousness – to understand what it means to be a socially conscious person, locally and globally;
- 4) Responsibility – to recognize how personal choices affect self and society.

Course Outcomes and Competencies

1. Decision Making and Relevant Information

- 1.1 Use the five-step decision-making process
- 1.2 Distinguish relevant from irrelevant information in decision situations
- 1.3 Explain the concept of opportunity cost and why managers should consider it when making insourcing-versus-outsourcing decisions
- 1.4 Know how to choose which products to produce when there are capacity constraints

- 1.5 Explain how to manage bottlenecks
- 1.6 Discuss the factors managers must consider when adding or dropping customers or business units
- 1.7 Explain why book value of equipment is irrelevant to managers making equipment-replacement decisions
- 1.8 Explain how conflicts can arise between the decision model a manager uses and the performance-evaluation model top management uses to evaluate managers

2. Strategy, Balanced Scorecard, and Strategic Profitability Analysis

- 2.1 Recognize which of two generic strategies a company is using
- 2.2 Understand the four perspectives of the balanced scorecard
- 2.3 Analyze changes in operating income to evaluate strategy
- 2.4 Identify unused capacity and learn how to manage it

3. Pricing Decisions and Cost Management

- 3.1 Discuss the three major factors that affect pricing decisions
- 3.2 Understand how companies make long-run pricing decisions
- 3.3 Price products using the target-costing approach
- 3.4 Apply the concepts of cost incurrence and locked-in costs
- 3.5 Price product using the cost-plus approach
- 3.6 Use life-cycle budgeting and costing when making pricing decisions
- 3.7 Explain the effects of legal restrictions on pricing and the broader notion of price discrimination

4. Cost Allocation, Customer-Profitability Analysis, and Sales-Variance Analysis

- 4.1 Discuss why a company's revenues and costs differ across customers
- 4.2 Identify the importance of customer-profitability profiles
- 4.3 Understand the cost-hierarchy-based operating income statement
- 4.4 Understand criteria to guide cost-allocation decisions
- 4.5 Discuss decisions faced when collecting and allocating indirect costs to customers
- 4.6 Subdivide the sales-volume variance into the sales-mix variance and the sales-quantity variance and the sales-quantity variance into the market-share variance and the market-size variance

5. Allocation of Support-Department Costs, Common Costs, and Revenues

- 5.1 Distinguish the single-rate method from the dual-rate method
- 5.2 Understand how the choice between allocation based on budgeted and actual rates and between budgeted and actual usage can affect the incentives of division managers
- 5.3 Allocate multiple support-department costs using the direct method, the step-down method, and the reciprocal method
- 5.4 Allocate common costs using the stand-alone method and the incremental method
- 5.5 Explain the importance of explicit agreement between contracting parties when the reimbursement amount is based on costs incurred
- 5.6 Understand how bundling of products causes revenue allocation issues and the methods managers use to allocate revenues

6. Cost Allocation: Joint Products and Byproducts

- 6.1 Identify the splitoff point in a joint-cost situation and distinguish joint products from byproducts
- 6.2 Explain why joining costs are allocated to individual products
- 6.3 Allocate joint costs using four methods
- 6.4 Identify situations when the sales value at splitoff method is preferred when allocating joint costs
- 6.5 Explain why joint costs are irrelevant in a sell-or-process-further decision
- 6.6 Account for byproducts using two methods

7. Process Costing

- 7.1 Identify the situations in which process-costing systems are appropriate
- 7.2 Understand the basic concepts of process costing and compute average unit costs
- 7.3 Describe the five steps in process costing and calculate equivalent units
- 7.4 Use the weighted-average method and the first-in, first-out (FIFO) method of process costing
- 7.5 Apply process-costing methods to situations with transferred-in costs
- 7.6 Understand the need for hybrid-costing systems such as operation costing

8. Spoilage, Rework, and Scrap

- 8.1 Understand the definitions of spoilage, rework, and scrap
- 8.2 Identify the differences between normal and abnormal spoilage
- 8.3 Account for spoilage in process costing using the weighted-average method and the first-in, first-out (FIFO) method
- 8.4 Account for spoilage at various stages of completion in process costing
- 8.5 Account for spoilage in job costing
- 8.6 Account for rework in job costing
- 8.7 Account for scrap

9. Balanced Scorecard: Quality and Time

- 9.1 Explain the four cost categories in a costs-of-quality program
- 9.2 Develop nonfinancial measures and methods to improve quality
- 9.3 Use costs-of-quality measures to make decisions
- 9.4 Use financial and nonfinancial measures to evaluate quality
- 9.5 Describe customer-response time and on-time performance and why delays occur
- 9.6 Determine the costs of delays
- 9.7 Use financial and nonfinancial measures of time

10. Inventory Management, Just-in-Time, and Simplified Costing Methods

- 10.1 Identify six categories of costs associated with goods for sale
- 10.2 Balance ordering costs with carrying costs using the economic-order-quantity (EOQ) decision model
- 10.3 Identify the effect of errors that can arise when using the EOQ decision model and ways to reduce conflicts between the EOQ model and models used for performance evaluation
- 10.4 Describe why companies are using just-in-time (JIT) purchasing

- 10.5 Distinguish materials requirements planning (MRP) systems from just-in-time (JIT) systems for manufacturing
- 10.6 Identify the features and benefits of a just-in-time production system
- 10.7 Describe different ways backflush costing can simplify traditional inventory-costing systems
- 10.8 Understand the principles of lean accounting

11. Capital Budgeting and Cost Analysis

- 11.1 Understand the five stages of capital budgeting for a project
- 11.2 Use and evaluate the two main discounted cash flow (DCF) methods: the net present value (NPV) method and the internal rate-of-return (IRR) method
- 11.3 Use and evaluate the payback and discounted payback methods
- 11.4 Use and evaluate the accrual accounting rate-of-return (AARR) method
- 11.5 Identify relevant cash inflows and outflows for capital budgeting decisions
- 11.6 Understand issues involved in implementing capital budgeting decisions and evaluating managerial performance
- 11.7 Explain how managers can use capital budgeting to achieve their firms' strategic goals

12. Management Control Systems, Transfer Pricing, and Multinational Considerations

- 12.1 Describe a management control system and its three key properties
- 12.2 Describe the benefits and costs of decentralization
- 12.3 Explain transfer prices and the four criteria managers use to evaluate them
- 12.4 Calculate transfer prices using three methods
- 12.5 Illustrate how market-based transfer prices promote goal congruence in perfectly competitive markets
- 12.6 Understand how to avoid making suboptimal decisions when transfer prices are based on full cost plus a markup
- 12.7 Describe the range of feasible transfer prices when there is unused capacity and alternative methods for arriving at the eventual hybrid price
- 12.8 Apply a general guideline for determining a minimum transfer price
- 12.9 Incorporate income tax considerations in multinational transfer pricing