

# ILLINOIS VALLEY COMMUNITY COLLEGE



## COURSE OUTLINE

DIVISION: Natural Sciences Business

COURSE: ACT 2020 Cost Accounting - Online

Date: 09-16-13

Credit Hours: 3

Prerequisite(s): None

Delivery Method:  Lecture 0 Contact Hours (1 contact = 1 credit hour)  
 Seminar 0 Contact Hours (1 contact = 1 credit hour)  
 Lab 0 Contact Hours (2 contact = 1 credit hour)  
 Clinical 0 Contact Hours (3 contact = 1 credit hour)  
 Online  
 Blended

Offered:  Fall  Spring  Summer

IAI Equivalent –**Only for Transfer Courses**–go to <http://www.itransfer.org>.

### CATALOG DESCRIPTION:

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.

## GENERAL EDUCATION GOALS ADDRESSED

*[See the last page of this form for more information.]*

### Upon completion of the course, the student will be able:

[Choose those goals that apply to this course.]

- To apply analytical and problem solving skills to personal, social and professional issues and situations.
- To communicate orally and in writing, socially and interpersonally.
- To develop an awareness of the contributions made to civilization by the diverse cultures of the world.
- To understand and use contemporary technology effectively and to understand its impact on the individual and society.
- To work and study effectively both individually and in collaboration with others.
- To understand what it means to act ethically and responsibly as an individual in one's career and as a member of society.
- To develop and maintain a healthy lifestyle physically, mentally, and spiritually.
- To appreciate the ongoing values of learning, self-improvement, and career planning.

### EXPECTED LEARNING OUTCOMES AND RELATED COMPETENCIES:

*[Outcomes related to course specific goals.]*

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

##### 1. The Accountant's Role in the Organization

1. Describe how cost accounting supports management accounting and financial accounting.
2. Understand how management accountants affect strategic decisions.
3. Describe the set of business functions in the value chain and identify the dimensions of performance that customers are expecting of companies.
4. Explain the five-step decision-making process and its role in management accounting.
5. Describe three guidelines management accountants follow in supporting managers.
6. Understand how management accounting fits into an organization's structure.
7. Understand what professional ethics mean to management accountants.

##### 2. An Introduction to Cost Terms and Purposes

1. Define and illustrate a cost object.
2. Distinguish between direct costs and indirect costs.
3. Explain variable costs and fixed costs.
4. Interpret unit cost cautiously.
5. Distinguish among manufacturing companies, merchandising companies, and service-sector companies.
6. Describe the three categories of inventories commonly found in manufacturing companies.
7. Distinguish inventoriable costs from period costs.
8. Explain why product costs are computed in different ways for different purposes.
9. Describe a framework for cost accounting and cost management.

### **3. Cost-Volume-Profit Analysis**

1. Explain the features of cost-volume-profit (CVP) analysis.
2. Determine the breakeven point and output level needed to achieve a target operating income.
3. Understand how income taxes affect CVP analysis.
4. Explain CVP analysis in decision making and how sensitivity analysis helps managers cope with uncertainty.
5. Use CVP analysis to plan variable and fixed costs.
6. Apply CVO analysis to a company producing products.
7. Adapt CVP analysis to situations in which a product has more than one cost driver.

### **4. Job Costing**

1. Describe the building-block concepts of costing systems.
2. Distinguish job costing from process costing.
3. Outline the seven-step approach to job costing.
4. Distinguish actual costing from normal costing.
5. Track the flow of costs in a job-costing system.
6. Dispose of under or over-allocated manufacturing overhead costs at the end of the fiscal year using alternative methods.
7. Apply variations from normal costing.

### **5. Activity-Based Costing and Activity-Based Management**

1. Explain how broad averaging undercosts and overcosts products or services.
2. Present three guidelines for refining a costing system.
3. Distinguish between simple and activity-based costing systems.
4. Describe a four-part cost hierarchy.
5. Cost products or services using activity-based management.
6. Explain how activity-based costing systems are used in activity-based management.
7. Compare activity-based costing systems and department costing systems.
8. Evaluate the costs and benefits of implementing activity-based costing systems.

### **6. Master Budget and Responsibility Accounting**

1. Describe the master budget and explain its benefits.
2. Describe the advantages of budgets.
3. Prepare the operating budget and its supporting schedules.
4. Use computer-based financial planning models in sensitivity analysis.
5. Explain kaizen budgeting and how it is used for cost management.
6. Describe responsibility centers and responsibility centers and responsibility accounting.
7. Explain how controllability relates to responsibility accounting.
8. Recognize the human aspects of budgeting.

## **7. Flexible Budgets, Direct-Cost Variances, and Management Control**

1. Distinguish a static budget from a flexible budget.
2. Develop flexible budgets and compute flexible-budget variances and sales-volume variances.
3. Explain why standard costs are often used in variance analysis.
4. Compute price variances and efficiency variances for direct-cost categories.
5. Understand how managers use variances.
6. Perform variance analysis in activity-based costing systems.
7. Describe benchmarking and explain its role in cost management.

## **8. Flexible Budgets, Overhead Cost Variances, and Management Control**

1. Explain the similarities and differences in planning variable overhead costs and fixed overhead costs.
2. Develop budgeted variable overhead cost rates.
3. Compute the variable overhead flexible-budget variance, the variable overhead efficiency variance, and the variable overhead spending variance.
4. Develop budgeted fixed overhead cost rates.
5. Compute the fixed overhead flexible-budget variance, the fixed overhead spending variance, and the fixed overhead production volume variance.
6. Show how the 4-variance analysis approach reconciles the actual overhead incurred with the overhead amounts allocated during the period.
7. Calculate overhead variances in activity-based costing.

## **9. Inventory Costing and Capacity Analysis**

1. Identify what distinguishes variable costing from absorption costing.
2. Compute income under absorption costing and variable costing, and explain the difference in income.
3. Understand how absorption costing can provide undesirable incentives for managers to build up inventory.
4. Differentiate throughput costing from variable costing and absorption costing.
5. Describe the various capacity concepts that can be used in absorption costing.
6. Examine the key factors in choosing a capacity level to compute the budgeted fixed manufacturing cost rate.
7. Describe how attempts to recover fixed costs of capacity may lead to price increases and lower demand.

## **10. Determining How Costs Behave**

1. Explain the two assumptions frequently used in cost-behavior estimation.
2. Describe linear cost functions and three common ways in which they behave.
3. Understand various methods of cost estimation.
4. Outline six steps in estimating a cost function using quantitative analysis.
5. Describe three criteria used to evaluate and choose cost drivers.
6. Explain and give examples of nonlinear cost functions.
7. Distinguish the cumulative average-time learning model from the incremental unit-time learning model.
8. Be aware of data problems encountered in estimating cost functions.

## **11. Decision Making and Relevant Information**

1. Use the five-step decision-making process to make decisions.
2. Distinguish relevant from irrelevant information in decision situations.
3. Explain the opportunity-cost concept and why it is used in decision making.
4. Know how to choose which products to produce when there are capacity constraints.
5. Discuss factors managers must consider when adding or dropping customers or segments.
6. Explain why book value of equipment is irrelevant in equipment-replacement decisions.
7. Explain how conflicts can arise between the decision model used by a manager and the performance-evaluation model used to evaluate the manager.

## **12. Pricing Decisions and Cost Management**

1. Discuss the three major influences on pricing decisions.
2. Distinguish short-run from long-run pricing decisions.
3. Price products using the target-costing approach.
4. Apply the concepts of cost incurrence and locked-in costs.
5. Price products using the cost-plus approach.
6. Use life-cycle budgeting and costing when making pricing decisions.
7. Describe two pricing practices in which noncost factors are important when setting prices.
8. Explain the effects of antitrust laws on pricing.

## **COURSE TOPICS AND CONTENT REQUIREMENTS:**

1. The Accountant's Role in the Organization
2. An Introduction to Cost Terms and Purposes
3. Cost-Volume-Profit Analysis
4. Job Costing
5. Activity-Based Costing and Activity-Based Management
6. Master Budget and Responsibility Accounting
7. Flexible Budgets, Direct-Cost Variances, and Management Control
8. Flexible Budgets, Overhead Cost Variances, and Management Control
9. Inventory Costing and Capacity Analysis
10. Determining How Costs Behave
11. Decision Making and Relevant Information
12. Pricing Decisions and Cost Management

## **INSTRUCTIONAL METHODS:**

Class discussion board  
Homework problems  
Quizzes  
Exams  
Excel Project

## **INSTRUCTIONAL MATERIALS:**

*Cost Accounting, A Managerial Emphasis*, Horngren, Datar, Foster, Rajan, Ittner, 14<sup>th</sup> Edition  
*MYACCOUNTINGLAB* Access Card

## **STUDENT REQUIREMENTS AND METHODS OF EVALUATION:**

Read the assigned portions of the textbook.  
Post responses weekly to the discussion board.  
Complete assigned questions, exercises, and problems  
Chapter quizzes  
Exams  
Excel Project

## **OTHER REFERENCES**

# Course Competency/Assessment Methods Matrix

ACT 2020 Cost Accounting		Assessment Options																															
For each competency/outcome place an "X" below the method of assessment to be used.	Assessment of Student Learning	Article Review	Case Studies	Group Projects	Lab Work	Oral Presentations	Pre-Post Tests	Quizzes	Written Exams	Artifact Self Reflection of Growth	Capstone Projects	Comprehensive Written Exit Exam	Course Embedded Questions	Multi-Media Projects	Observation	Writing Samples	Portfolio Evaluation	Real World Projects	Reflective Journals	Applied Application (skills) Test	Oral Exit Interviews	Accreditation Reviews/Reports	Advisory Council Feedback	Employer Surveys	Graduate Surveys	Internship/Practicum /Site Supervisor Evaluation	Licensing Exam	In Class Feedback	Simulation	Interview	Written Report	Assignment	
	Direct/ Indirect	D	D	D	D	D	D	D	D	D	D	D	D	D	D	D	D	D	D	D	I	I	I	I	D	D	I	I					D
Identify value and supply chain components								X	X				X		X			X		X													X
Identify organization structure and the role for the accountant								X	X				X		X			X		X													X
Identify various cost terminology								X	X				X		X			X		X													X
Identify cost behavior for variable/fixed, invent/period costs								X	X				X		X			X		X													X
Identify prim and conversion costs								X	X				X		X			X		X													X
Perform various CVP calculations								X	X				X		X			X		X													X
Calculate breakeven and target income								X	X				X		X			X		X													X
Calculate sales mix								X	X				X		X			X		X													X
Understand and apply job costing techniques								X	X				X		X			X		X													X
Be able to make year-end adjustments to inventory and COGS								X	X				X		X			X		X													X
Understand the structure of ABC costing								X	X				X		X			X		X													X
Be able to prepare various components of the master budget								X	X				X		X			X		X													X
Be able to create static and flexible budgets with variances								X	X				X		X			X		X													X
Calculate all variances related to standard costing								X	X				X		X			X		X													X
Understand variable and absorption costing								X	X				X		X			X		X													X
Understand normal, practical, theoretical capacity issues								X	X				X		X			X		X													X

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	Direct/ Indirect	D	D	D	D	D	D	D	D	D	D	D	D	D	D	D	D	D	D	D	I	I	I	I	D	D	I	I					D	
Be able to apply cost estimation methods		X	X				X		X			X	X													X	X	X					X	
Understand the concept of relevant costs		X	X				X		X			X	X													X	X	X					X	
Understand insourcing versus outsourcing concepts		X	X				X		X			X	X													X	X	X					X	
Understand opportunity costs		X	X				X		X			X	X													X	X	X					X	
Understand product mix decisions with capacity issues		X	X				X		X			X	X													X	X	X					X	
Understand various issues for pricing decisions		X	X				X		X			X	X													X	X	X					X	
Understand cost and price decisions in short and long run		X	X				X		X			X	X													X	X	X					X	
Understand target costing for target pricing		X	X				X		X			X	X													X	X	X					X	