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-Profitsability 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