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Course Outline for BUSN 1B

MANAGERIAL ACCOUNTING

Effective: Fall 2012

I. CATALOG DESCRIPTION:

BUSN 1B — MANAGERIAL ACCOUNTING — 4.00 units

A study of the use and reporting of accounting data for managerial planning, cost control, and decision making purposes. Includes broad coverage of concepts, structures, classifications, and behaviors of costs. Topics include; cost systems, job costing, process costing, activity based costing, relationship between cost, volume and profitability, relevant range, standard costing, profit planning and budgeting, static and flexible budgeting, responsibility accounting and segment reporting, absorption and variable costing and capital expenditure decisions. (Formerly known as Principles of Accounting II)

4.00 Units Lecture

Prerequisite

BUSN 1A - Financial Accounting
with a minimum grade of C

Grading Methods:

Letter Grade

Discipline:

	<u>MIN</u>
Lecture Hours:	72.00
No Unit Value Lab	18.00
Total Hours:	90.00

II. NUMBER OF TIMES COURSE MAY BE TAKEN FOR CREDIT: 1

III. PREREQUISITE AND/OR ADVISORY SKILLS:

Before entering the course a student should be able to:

A. BUSN1A

IV. MEASURABLE OBJECTIVES:

Upon completion of this course, the student should be able to:

- identify and illustrate the primary objectives of managerial accounting and explain the role of the managerial accountant as a member of the management team; compare and contrast financial and managerial accounting;
- distinguish between period and product costs, prepare and evaluate a Schedule of Cost of Goods Manufactured, Schedule of Cost of Goods Sold and its relationship to Balance Sheet and Income Statement;
- prepare traditional and contribution-margin income statements; explain cost volume-profit analysis; how to use Cost Volume Profit (CVP) analysis to calculate breakeven point, operating income and Margin of Safety;
- describe product costing systems such as job order costing and process costing; illustrate flow of costs in each; record related transactions and analyze various cost accounts;
- discuss the impact of technology on the manufacturing environment and its implications for product costs and the development of activity-based costing system; prepare activity-based cost reports;
- explain the purposes of budgeting; prepare a master budget and its component schedules and relate budget to planning and control;
- explain the development and use of standard costs; prepare and interpret variance analysis reports and relate them to responsibility accounting and control;
- define relevant costs, sunk costs, opportunity costs and unit costs; prepare analyses of special decisions – accept or reject a special order, outsource a product or service; add or drop a service or product and sell or process further;
- explain the nature of capital expenditure decisions and apply and evaluate various methods used in making these decisions;
- explain the nature of and need of segment reporting and the relationship with costs, revenue, profit and investment centers, prepare and analyze related segment reports; and
- Prepare flexible budgets using standard costs and product costing;
- Compare and contrast absorption costing with variable costing; prepare income statements using both methods; and reconcile the results.

V. CONTENT:

- Managerial Accounting
 - Objectives of managerial accounting
 - Distinguish between financial and managerial accounting

3. Role of managerial accountant
4. Role of management accountability and using ethical standards to make business decisions
- B. Cost terms and concepts
 1. Distinguish between period costs and product costs
 2. Classify costs and prepare and income statement for a service, merchandising and manufacturing business
 3. Calculating cost of goods manufactured for a manufacturer
- C. Cost-Volume-Profit (CVP) analysis
 1. Identify how changes in volume affects costs and profitability
 2. Use CVP analysis to compute breakeven point
 3. Use CVP analysis for profit planning and graph the CVP relations
 4. Use CVP methods to perform sensitivity analysis; change in fixed costs, change in variable costs, change in target income and margin of safety
 5. Calculate the breakeven point for multiple product lines or services
 6. Prepare traditional and contribution margin income statements
- D. Job Order and Process Costing
 1. Recording materials and labor used in a job order costing system
 2. Recording overhead in a job costing
 3. Preparing materials, labor, overhead, work in process, cost of goods manufactured, finished goods and cost of goods sold accounts
 4. Calculating pre-determined manufacturing overhead rate
 5. Record sales of finished goods and adjustment for under or over-allocated overhead
 6. Calculate unit costs for a service and manufacturing company
 7. Differences between job order and process costing
 8. Calculating total costs incurred for materials, labor and manufacturing overhead and using equivalent units for conversion costs
 9. Preparing materials, labor, overhead, work in process, cost of goods manufactured, finished goods and cost of goods sold accounts for different departments
 10. Calculating pre-determined manufacturing overhead rate
 11. Assigning costs from different departments to production department
 12. Preparing and analyzing a production cost report
- E. Activity Based Costing
 1. Develop activity based costing system (ABC)
 2. The impact of technology in manufacturing
 3. Use activity-based management (ABM) to achieve target costs
 4. Describe Just-in-time (JIT) production systems, and record its transactions
 5. Use four types of quality costs to make decisions, such as; prevention, appraisal, internal failure and external failure costs
- F. Master budget and responsibility accounting
 1. Explain why managers use budget
 2. Components of the master budget
 3. Preparing a Sales and Inventory/Purchases/COGS budget
 4. Preparing an operating and financial budget
 5. Unit and companywide budgets
 6. Responsibility accounting performance reports
 7. Use of budgets for planning and control
- G. Flexible budgets and standard costs
 1. Prepare a flexible budget for the income statement
 2. Prepare an income statement performance report
 3. Identify the benefits of standard costs and learn how to set standards
 4. Compute standard costs variances for direct materials, direct labor and manufacturing overhead
 5. Record transactions at standard cost
- H. Costs and Short-term business analysis
 1. Describe and identify information relevant to business decisions
 2. Use or ignore as appropriate relevant costs, sunk costs, and opportunity cost
 3. Make special order and pricing decisions
 4. Make dropping a product and product mix related decisions
 5. Make outsourcing and sell as is or process further decisions
- I. Capital investment decisions and the time value of money
 1. Describe the importance of capital investment and the capital budgeting process
 2. Use the payback and accounting rate of return methods to make capital investment decisions
 3. Use the time value of money to compute the present value of single sums and annuities
 4. Use discounted cash flow models to make capital investment decisions
 5. Standard cost accounting systems
- J. Segment Reporting and Performance evaluation
 1. Explain how companies decentralize
 2. Explain why companies use performance evaluation systems
 3. Use balance scorecard and identify key performance indicators for each perspective
 4. The balanced score card
 5. Use performance reports to evaluate cost, revenue and profit centers
 6. Use Return on Investment (ROI), Residual Income (RI) and Economic Value Added (EVA) to evaluate investment centers
- K. Comparing costing methods
 1. Explain and use absorption costing
 2. Explain and use variable costing
 3. Prepare income statements using both methods
 4. Explain the differences between the methods
 5. Discuss advantages and disadvantages of each method

VI. METHODS OF INSTRUCTION:

- A. Discussion of student questions
- B. Interactive exercises and problem solving
- C. Group activities
- D. Lecture and demonstration of managerial accounting principles
- E. Outside/internet research
- F. Publishers website for activities and assessments
- G. PowerPoint, video and compute-images when appropriate

VII. TYPICAL ASSIGNMENTS:

- A. In-class assigned problems
 - 1. Write journal entries for purchase and use of raw materials using job costing method. Prepare WIP account for the month.
 - 2. Prepare a cash budget for December, and determine if the business will need to borrow cash by the end of December?
 - 3. Calculate the breakeven point and margin of safety in units and sales dollars.
- B. Homework assignments
 - 1. Read chapter 13 and complete exercise E21-13, 15, & 16 on working papers.
 - 2. At the publisher's website, complete the mid-chapter assessment for chapter 13.
- C. Quizzes
 - 1. At the publisher's website, complete the end-of-chapter assessment for chapter 13
 - 2. Print the chapter end quiz from Black board, and answer all multiple choice questions, and short problems on a separate sheet of paper, and bring it to class for corrections.
- D. Progress exams and final exam
 - 1. True or False – a budget is a quantitative expression of a plan that helps managers coordinate and implement the plan
 - 2. Given a certain set of data, prepare a schedule of cost of goods manufactured for the ABC Company for the year ending 12/31/10

VIII. EVALUATION:

A. **Methods**

- 1. Quizzes
- 2. Home Work
- 3. Other:
 - a. Class exercises and problems
 - b. Progress exams and final exam

B. **Frequency**

- 1. Regular progress exams (after every 3 chapters and a final exam)
- 2. Quizzes given at the end of each chapter
- 3. Homework assignments collected weekly
- 4. Work on problems and exercises every class period

IX. TYPICAL TEXTS:

- 1. Horngren, C., Harrison, W. and Oliver, M. (2012). *Managerial Accounting* (3rd ed.). Upper Saddle River, NJ: Prentice Hall.
- 2. Weygandt, J., Kieso, D., and Kimmel, P. (2009). *Managerial Accounting* (5th ed.). Hoboken, NJ: John Wiley & Sons, Inc.
- 3. Sawyers, R., Jackson, S. and Jinkins, G. (2012). *Managerial Accounting* (2nd ed.). Florence, KY: Cengage Learning.

X. OTHER MATERIALS REQUIRED OF STUDENTS:

- A. Basic four function calculator
- B. Computer and Internet access for using publisher homework management system