Managerial Accounting

Course Text
- Hilton, Ronald W. Managerial Accounting: Creating Value in a Dynamic Business Environment, 9th edition, McGraw-Hill/Irwin, 2011, ISBN: 9780078110917 [This text is available as an etextbook at purchase or students may find used, new, or rental copies at this link]

Course Description
This course focuses on the identification, gathering, and interpretation of information for planning, controlling, and evaluating the performance of a business. This course studies the measurement of the costs of producing goods or services and how to analyze and control these costs.

This course analyzes managerial accounting principles and systems through both process and job order costing. Additional managerial accounting topics include the following: cost behavior, cost-volume-profit analysis, budgeting and standard cost systems, decentralized operations, and product pricing.

Course Objectives
After completing this course, students will be able to:
- Compare and contrast between managerial accounting and financial accounting and assess how managerial accounting affects various management functions.
- Discuss ethical standards in an organization and assess their role in the field of managerial accounting.
- Define cost and distinguish between product costs and period costs.
- Analyze the fundamental manufacturing cost categories and diagram the flow of product costs in a manufacturing operation.
- Describe job-order costing system and evaluate its suitability in manufacturing and nonmanufacturing firms.
- Describe process costing and evaluate the suitability of process costing in manufacturing and nonmanufacturing firms.
- Compare and contrast traditional volume-based costing system and activity-based costing system.
- Interpret cost behavior patterns to estimate costs and assess the need for contribution approach to income statements.
- Graph CVP relationships and compute the break-even point using the contribution-margin and equation approach.
- Determine the criteria that decide the relevance of a cost or a benefit and explain the concepts of sunk costs, opportunity costs, and unit costs.
- Describe the key decision areas in capital budgeting and explain the concept of time value of money.
- Describe the elements of a budgeting framework and assess the need for a budgeting framework in an organization.
- Describe the various ways to set performance standards and assess the role of performance standards in cost management.
• Explain the role of responsibility accounting in achieving set goals and list the responsibility centers.
• Describe the key decision areas in capital budgeting and explain the concept of time value of money.
• Determine the criteria that are used in determining and making pricing decisions.

Course Prerequisites

StraighterLine suggests, though does not require, that students take Accounting I and Accounting II or its equivalent before enrolling in Managerial Accounting.

Important Terms

In this course, different terms are used to designate tasks:
• Proctoring: all final exams require proctoring which can be completed conveniently from your home. A webcam is required.
• Tutoring: memberships include online tutoring for students to access with any content/subject related questions in the place of faculty. If your tutor is not able to answer your questions please contact a student advisor.
• Practice Exercise: Non-graded assignments from your text. These activities will assist you in practicing the skills discussed in a topic.
• Homework: non-graded quizzes which you can take to help prepare for upcoming exams and to check your comprehension of a given topic.
• Exam: A graded online test.

Course Evaluation Criteria

StraighterLine provides a percentage score and letter grade for each course. See Academic Questions section in FAQ for further details on percentage scores and grading scale. A passing percentage is 70% or higher.

If you have chosen a Partner College to award credit for this course, your final grade will be based upon that college's grading scale. Only passing scores will be considered by Partner Colleges for an award of credit.

There are a total of 1000 points in the course.

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<thead>
<tr>
<th>Topic</th>
<th>Assessment</th>
<th>Points Available</th>
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<tbody>
<tr>
<td>4</td>
<td>Graded Exam #1 (topics 1-4)</td>
<td>125</td>
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<tr>
<td>8</td>
<td>Graded Exam #2 (topics 5-8)</td>
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<td>Midterm Exam (topics 1-8)</td>
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<td>Graded Exam #3 (topics 9-12)</td>
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<td>16</td>
<td>Graded Exam #4 (topics 13-16)</td>
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<td>17</td>
<td>Final Graded Exam (topics 9-16)</td>
<td>300</td>
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# Course Topics and Objectives

<table>
<thead>
<tr>
<th>Topic</th>
<th>Topics</th>
<th>Subtopics</th>
<th>Objectives</th>
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</table>
| 1     | Managerial Accounting and the Business Environment | • What Is Managerial Accounting?  
• Managerial Accountants in an Organization  
• Ethics in Managerial Accounting  
• Changing Role of Managerial Accounting | • Discuss ethical standards in an organization and assess their role in the field of managerial accounting.  
• Analyze how the changing business environment has led to innovations in managerial accounting.  
• Compare and contrast between managerial accounting and financial accounting and assess how managerial accounting affects various management functions.  
• Outline the roles and responsibilities of a managerial accountant and describe the fundamental tools and practices used in managerial accounting. |
| 2     | Concepts of Cost Management Accounting for Custom Operations | • Cost Concepts: An Overview  
• General Cost Classifications  
• Cost Classifications on Financial Statements  
• Cost Classifications for Different Purposes | • Define cost and distinguish between product costs and period costs.  
• Analyze the fundamental manufacturing cost categories and diagram the flow of product costs in a manufacturing operation.  
• Analyze the cost components on financial statements and prepare an income statement and a schedule of cost of goods manufactured for a manufacturer.  
• Compare direct and indirect costs and distinguish between |
### 3. Product Costing and Cost Accumulation in the Production Environment

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<td></td>
<td>Discuss the role of product and service costing in manufacturing and nonmanufacturing firms.</td>
<td>Diagram and explain the flow of costs through the manufacturing accounts used in product costing.</td>
<td>Distinguish between job-order costing and process costing.</td>
<td>Compute a predetermined overhead rate, and explain its use in job-order costing for job-shop and batch-production environments.</td>
<td>Prepare journal entries to record the costs of direct material, direct labor, and manufacturing overhead in a job-order costing system.</td>
<td>Prepare a schedule of cost of goods manufactured, a schedule of cost of goods sold, and an income statement for a manufacturer.</td>
<td>Describe the two-stage allocation process used to compute departmental overhead rates.</td>
<td>Describe the process of project costing used in service industry firms and nonprofit organizations.</td>
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### 4. Product and Hybrid Product Costing Systems

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<thead>
<tr>
<th></th>
<th>Comparison of Job-Order Costing and Process Costing</th>
<th>Purpose of product-costing systems</th>
<th>Differences in manufacturing environments</th>
<th>Differences in cost accumulation</th>
<th>Similarities in cost</th>
<th>List and explain the similarities and important differences between job-order and process costing.</th>
<th>Prepare journal entries to record the flow of costs in a process-costing system with sequential production departments.</th>
<th>Prepare a table of equivalent units under weighted-average process costing.</th>
<th>Compute the cost per</th>
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<tbody>
<tr>
<td>5</td>
<td>Activity Based Costing and Management</td>
<td>Equivalent Units in Process-Costing Systems, Stage of completion of the work-in-process ending inventory, Equivalent-unit calculations, Illustration of Reporting in a Process-Cost System, The departmental production report, Weighted-average method, Steps in preparing the departmental production report, Other Issues in Process Costing, Actual versus normal costing, Using a cost driver other than direct labor, A Hybrid Product-Costing System: Operation Costing for Batch Manufacturing</td>
<td>equivalent unit under the weighted-average method of process costing, Analyze the total production costs for a department under the weighted-average method of process costing, Prepare a departmental production report under weighted-average process costing, Describe how an operation costing system accumulates and assigns the costs of direct-material and conversion activity in a batch manufacturing process.</td>
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<td>Analysis of Cost Behavior</td>
<td>Describe traditional volume-based costing system and compute product costs under a traditional volume-based costing system, Describe activity-based costing system and compute product costs under an activity-based costing system, Analyze how cost drivers and data collection help in addressing issues such as need for a new costing system in activity-based costing.</td>
<td>Interpret cost behavior</td>
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<td>Cost-Volume-Profit (CVP) Analysis</td>
<td>● Approaches to CVP Analysis</td>
<td>● Graph CVP relationships.</td>
<td>● Cost-Volume-Profit (CVP) Relationship</td>
<td>● Compute the break-even point using the contribution-margin and equation approach.</td>
<td>● CVP Analysis and Cost Management</td>
<td>● Apply CVP analysis to demonstrate the effect of changes in variable cost, fixed cost, and sales volume on profit.</td>
<td>● CVP Analysis and Cost Structure</td>
<td>● Analyze the impact of cost structure on profit stability and compute the degree of operating leverage at a specific sales level.</td>
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<td>Absorption and Variable Costing</td>
<td>● Product Cost and Fixed Manufacturing Overhead</td>
<td>● Explain the accounting treatment of fixed manufacturing overhead under absorption and variable costing.</td>
<td>● Absorption-costing income statements</td>
<td>● Prepare an income statement under absorption costing.</td>
<td>● Variable-costing income statements</td>
<td>● Prepare an income statement under variable costing.</td>
<td>● Reconciliation of Absorption- and Variable-Costing Income</td>
<td>● Reconcile reported income under absorption and variable costing.</td>
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| 9 | Profit Planning and Activity-Based Budgeting | • Framework of Budgeting  
• Budgets as a Planning Tool  
• Preparing the Master Budget  
• Activity-Based Budgeting | • Create a diagram showing the steps taken to create a budget and describe the different types of budgets.  
• Prepare different types of budgets and budget schedules for the master budget.  
• Demonstrate how activity-based budgeting operates using an example and assess the need for an activity-based budgeting system.  
• Describe the elements of a budgeting framework and assess the importance of budgeting in an organization. |
|---|---|---|
| 10 | Operational Performance Measures: Standard Costing and Balanced Scorecard | • Setting Performance Measures  
• Cost Variance Analysis  
• Using Standard Costs for Evaluation  
• The Balanced Scorecard | • Describe the various ways to set performance standards and assess the role of performance standards in cost management.  
• Assess the significance of cost variances in setting standards.  
• Compute the material price and quantity variances and the labor rate and efficiency variances and prepare journal entries to record cost variances.  
• Analyze the role of a balanced scorecard in developing strategies. |
| 11 | Flexible Budgeting: Managing Overhead and Support Activity Costs | • Flexible Budgets: An Overview  
• Overhead Variance  
• Overhead Analysis  
• Activity-Based Flexible Budgets | • Create a diagram showing the components of a flexible budget and assess the importance of flexible budgeting in an organization.  
• Diagram variable overhead spending and efficiency variances using graphs and compute variable overhead variances.  
• Interpret variable overhead variances and prepare an overhead cost performance report and a flexible overhead budget. |
| 12 | Responsibility Accounting: Quality and Environmental Cost Control | • Responsibility Accounting: An Overview  
• Segment Reporting  
• Decentralization  
• Segment Performance Evaluation | • Compare and contrast activity-based flexible budgeting and traditional flexible budgeting.  
• Prepare performance reports for various responsibility centers and a segmented income statement.  
• Define decentralization and discuss its advantages and disadvantages.  
• Use the return on investment and residual income approaches to measure an investment center’s performance.  
• Explain how responsibility accounting can achieve set goals and list the responsibility centers. |
| 13 | Investment Centers and Transfer Pricing | • Capital Budgeting Decisions: An Overview  
• Screening Decisions: Net Present Value Method  
• Screening Decisions: Internal Rate of Return Method  
• Ranking Decisions  
• Screening Decisions: Economic Value Added (EVA) | • Describe the key decision areas in capital budgeting and explain the concept of time value of money.  
• Explain the net present value method of making capital budgeting decisions and use it to evaluate an investment proposal for acceptability.  
• Explain the internal rate of return method of making capital budgeting decisions and use it to evaluate an investment proposal for acceptability.  
• Grade investment proposals using the profitability index. |
| 14 | Decision Making: Relevant Costs and Benefits | • The Decision-Making Model  
• Identifying Relevant Costs and Benefits  
• Aspects of Decision Making  
• Activity-Based Costing and Relevant Costs | • Determine the criteria that decide the relevance of a cost or a benefit and explain the concepts of sunk costs, opportunity costs, and unit costs.  
• Prepare analyses of various decision categories using relevant costs and benefits.  
• Assess the importance of |
| 15 | Allocation of Support and Joint Costs | • Service Department Cost Allocation: A General Overview  
• Methods of Service Department Cost Allocation  
• Direct method  
• Step-down method  
• Reciprocal-services method (appendix)  
• Dual-Cost Allocation  
• Today's Advanced Manufacturing Environment  
• Joint Product Cost Allocation | • Allocate service department costs using the direct method and the step-down method.  
• Use the dual approach to service department cost allocation.  
• Explain the difference between two-stage cost allocation with departmental overhead rates and activity-based costing (ABC).  
• Allocate joint costs among joint products using each of the following techniques: physical-units method, relative-sales-value method, and net-realizable-value method.  
• Describe the purposes for which joint cost allocation is useful and those for which it is not.  
• Allocate service department costs using the reciprocal-services method |
| 16 | Target Costing and Analysis for Pricing Decisions | • Influences on pricing decisions  
• The economic, profit-maximizing pricing model  
• Key principles of target costing | • Use cost-plus pricing formulas to set prices  
• Use the time and material pricing approach to determine prices  
• Explain the key principles of target costing  
• Explain the economic, profit-maximizing pricing model  
• List the key principles of target costing  
• Explain the role of activity-based costing in setting a target cost |
| 17 | Review | • Review | • Complete a review of key content covered in this course. |