

# ACTG 1C: MANAGERIAL ACCOUNTING

## Foothill College Course Outline of Record

Heading	Value
<b>Units:</b>	5
<b>Hours:</b>	5 lecture per week (60 total per quarter)
<b>Prerequisite:</b>	ACTG 1B or 1BH.
<b>Advisory:</b>	Elementary Algebra or equivalent; demonstrated proficiency in English by placement via multiple measures OR through an equivalent placement process OR completion of ESLL 125 & ESLL 249; not open to students with credit in ACTG 1CH.
<b>Degree &amp; Credit Status:</b>	Degree-Applicable Credit Course
<b>Foothill GE:</b>	Non-GE
<b>Transferable:</b>	CSU/UC
<b>Grade Type:</b>	Letter Grade (Request for Pass/No Pass)
<b>Repeatability:</b>	Not Repeatable

## Student Learning Outcomes

- Explain managerial accounting terminology, concepts, principles, and frameworks.
- Perform related calculations and demonstrate the ability to use methods and /or procedures to solve managerial accounting problems.

## Description

Study of accounting information system for internal uses for decision-making, planning, directing operations and controlling. Process costing, job-order costing, activity-based costing, standard costing, cost behavior and cost-volume profit analysis, budgeting, performance evaluation, capital investment analysis, and ethics.

## Course Objectives

The student will be able to:

- recognize management accounting information as a creator of value.
- analyze cost concepts and the cost assignment process.
- prepare and evaluate a Schedule of Cost of Goods Manufactured, Schedule of Cost of Goods Sold, and Income Statement.
- analyze cost behavior and the role of resource usage in understanding cost behavior.
- compare and contrast the cost accounting system of service, merchandising and manufacturing firms.
- describe job-order and process costing systems, illustrate the flow of costs in each, and prepare related accounting records and reports.
- assess departmental cost allocation process.
- examine activity-based cost system.
- discuss the impact of technology on the business environment.
- calculate break-even and evaluate cost volume profit analysis.
- prepare traditional and contribution-margin income statements and define related terms.

- apply relevant costing and tactical decision making.
- recognize and describe the use of budgets for planning and control.
- explain the difference between absorption and variable costing.
- explain the development and use of standard costs and flexible budgets.
- evaluate responsibility accounting, performance evaluation and interpret variance analysis reports and relate them to responsibility accounting and control.
- examine ethical issues related to managerial accounting.

## Course Content

- Managerial Accounting and the Business Environment
  - the role of management accountants in an organization
  - the basic concepts underlying Lean Production and Just-in-Time systems, the Theory of Constraints (TOC), Total Quality Management (TQM)
- Managerial Accounting and Cost Concepts
  - the major differences and similarities between financial and managerial accounting
  - three basic manufacturing cost elements
  - product costs versus period costs
  - statement of cost of goods manufactured, income statement including calculation of the cost of goods sold
  - differences between variable costs and fixed costs
  - differences between direct and indirect costs
  - cost classifications used in making decisions: avoidable costs, differential costs, opportunity costs, and sunk costs
- Job-Order Costing
  - process costing and job-order costing
  - documents used in a job-order costing system
  - predetermined overhead rates, actual overhead cost and estimated overhead costs
  - flow of costs in a job-order costing system and journal entries to record costs
  - application of overhead cost to Work in Process using a predetermined overhead rate
  - use of T-accounts to show the flow of costs in a job-order costing system
  - underapplied or overapplied overhead cost and related journal entry for clearing the balance in Manufacturing Overhead account
- Process Costing
  - flow of materials, labor, and overhead through a process costing system
  - the equivalent units of production and cost per equivalent unit using the weighted-average method
  - the equivalent units of production and cost per equivalent unit using the FIFO method
- Use of Cost Behavior in Decision-Making Process
  - scattergraph plot to diagnose cost behavior
  - mixed cost using the high-low method
  - income statement using the contribution format
- Cost-Volume-Profit Relationships
  - changes in activity and its effect on contribution margin and net operating income
  - the contribution margin ratio (CM ratio) and its relationship to net operating income and sales volume
  - the effect of changes in contribution margin on variable costs, fixed costs, selling price, and sales volume
  - the break-even point in units and dollars
  - margin of safety, its significance, and the desired target profit
  - using cost-volume-profit for sensitivity analysis

7. segment reporting and the relationship with cost, revenue, profit, and investment centers
  8. the degree of operating leverage at a particular level of sales and explain how it can be used to predict changes in net operating income
  9. the break-even point for a multi-product company
- G. Profit Planning
1. organizations budget and the processes used to create budgets
  2. the various parts of a master budget, including:
    - a. sales budget
    - b. production budget
    - c. direct materials budget
    - d. direct labor budget
    - e. manufacturing overhead budget
    - f. selling and administrative expense budget
    - g. cash budget
    - h. budgeted income statement
    - i. budgeted balance sheet
- H. Flexible Budgets and Performance Analysis
1. flexible budget versus static budget
  2. reports on activity variances
  3. reports on revenue and spending variances
- I. Standard Costs and Operating Performance Measures
1. the direct materials price and quantity variances and their significance
  2. the direct labor rate and efficiency variances and their significance
  3. the variable manufacturing overhead rate and efficiency variances
- J. Relevant Costs for Decision Making
1. relevant and irrelevant costs as they relate to decision-making process

2. analysis of product line, keep or drop a business segment
  3. make or buy analysis
  4. analysis of special order to accepted or reject
  5. the most profitable use of a constrained resource and the value of obtaining more of the constrained resource
  6. analysis of showing joint products at the split-off point versus processing further for increase in profit
- K. Absorption and Variable Costing
1. target selling price
  2. cost-based price
- L. Capital Budgeting Decisions
1. the acceptability of an investment project using the net present value method
  2. the acceptability of an investment project using the internal rate of return method
  3. the payback period for an investment
  4. the simple rate of return for an investment
  5. capital rationing and the profitability index
- M. Ethical Issues
1. code of conducts for managerial accountants
  2. company code of conducts
  3. code of conducts on the international level

## Lab Content

Not applicable.

## Special Facilities and/or Equipment

Access to a PC lab and Excel software. When taught as an online distance learning section, students and faculty need ongoing and continuous internet and email access.

## Method(s) of Evaluation

Methods of Evaluation may include but are not limited to the following:

The student will demonstrate proficiency by:

- A. Quizzes
- B. Exams
- C. Class participation
- D. Homework
- E. Assignments requiring the use of general ledger software, spreadsheet, word-processor, and presentation applications, such as Quickbooks, MS Excel, MS Word, and MS PowerPoint, respectively
- F. Team projects
- G. Research assignments
- H. Case study analysis
- I. Oral and/or written presentations

## Method(s) of Instruction

Methods of Instruction may include but are not limited to the following:

Lecture, electronic discussions, group work, case studies.

## Representative Text(s) and Other Materials

Miller-Nobles, Mattison, and Matsumura. *Accounting*. 12th ed. New York, New Jersey: Pearson Publishing, 2018.

Pasewark, William R. *Understanding Corporate Annual Reports*. 7th ed. Burr Ridge, IL: Irwin McGraw-Hill, 2010.

## Types and/or Examples of Required Reading, Writing, and Outside of Class Assignments

A. Students will be expected to read approximately 40 pages per week, in addition to completing associated assignments for an estimated total of 10 hours out-of-class commitment per week

B. Applying basic Excel commands to prepare financial statements, bank reconciliation, budgets and accounting reports

C. Reading of corporate annual reports

D. Writing assignment responding to questions related to the corporate annual reports of publicly-held corporations

E. Written research paper and/or project

F. Reading of internet articles and writing on accounting topics or accounting-related current events and/or careers

G. Reading of *Wall Street Journal*, *Business Week*, and *Fortune*

## **Discipline(s)**

Accounting