

**NORTHEAST IOWA COMMUNITY COLLEGE**  
**Calmar/Peosta**

**1.0 COURSE TITLE: Cost Accounting**

**2.0 CATALOG NUMBER: ACC:222**

**3.0 SEMESTER HOURS CREDIT: 4**

**4.0 LECTURE HOURS: 48**

**5.0 LAB HOURS: 32**

**5.0 COURSE DESCRIPTION:**

Fundamental concepts of job process will be presented to give students a basic understanding of internal cost accounting systems.

5.1 Prerequisite: ACC:156 with a minimum grade of C-

**7.0 GENERAL COURSE GOAL(S):**

To develop the student's ability to describe fundamental concepts of cost accounting, to prepare production reports under activity-based, job-order, process, and standard cost accounting systems, and to make managerial decisions based upon cost accounting information.

**8.0 MAJOR UNITS OF INSTRUCTION:**

- 8.1 Compare the relationship between accounting and the management process.
- 8.2 Develop an understanding of cost terminology, and cost behaviors.
- 8.3 Apply and calculate predetermined overhead rates, flexible budgets, and absorption/variable costing.
- 8.4 Understand and apply the concept for activity-based costing.
- 8.5 Understand and apply costs of production using job order cost accounting.
- 8.6 Understand and apply the cost of production using process cost accounting.
- 8.7 Understand and apply the costs of production using a standard cost system.
- 8.8 Understand and construct a master budget.
- 8.9 Understand and apply break-even point and cost-volume-profit analysis.
- 8.10 Identify relevant costs and describe their importance in managerial decisions.
- 8.11 Develop an understanding of the responsibility accounting, support department cost allocations, and transfer pricing.

**9.0 UNIT OBJECTIVES:**

- 9.1 At the end of this unit of instruction, the student will be able to:
  - 9.1.1 Compare the relationship among financial, management, and cost accounting.
  - 9.1.2 Summarize the sources of authoritative pronouncements for the practice of cost accounting.

- 9.1.3 Explain the importance of the mission statement and why it is important to organizational strategy.
- 9.1.4 Identify what accountants must understand about an organization's structure and business environment to perform effectively in the organization.
- 9.1.5 Explain the value chain, and what are the major value chain functions.
- 9.1.6 Explain how a balanced scorecard is used to implement an organization's strategy.
- 9.1.7 Outline what sources of ethical standards are used for cost accountants.
- 9.1.8 Summarize and identify why ethical behavior is so important in organizations.
- 9.2 At the end of this unit of instruction, the student will be able to:
  - 9.2.1 Explain why costs are associated with a cost object.
  - 9.2.2 Explain what assumptions accountants make about cost behavior and why are those assumptions necessary.
  - 9.2.3 Classify costs as either prime or conversion.
  - 9.2.4 Classify manufacturing product costs as direct material, direct labor, or overhead costs.
  - 9.2.5 Distinguish between total and unit manufacturing costs.
  - 9.2.6 Apply the flow of manufacturing costs through the manufacturing accounts to the cost of goods sold account.
  - 9.2.7 Construct a Cost of Goods Manufactured Statement.
- 9.3 At the end of this unit of instruction, the student will be able to:
  - 9.3.1 Explain why and how overhead costs are allocated to products and services.
  - 9.3.2 Explain what causes under applied and over applied overhead and how it is treated at the end of the period.
  - 9.3.3 Explain what impacts do different capacity measures have on setting predetermined overhead rates.
  - 9.3.4 Examine and plot cost and activity data on a scatter graph, visually fit a line to the plotted point, and derive the mathematical formula to describe mixed costs.
  - 9.3.5 Analyze a mixed cost using the high-low method and derive the mathematical formula to describe the cost.
  - 9.3.6 Examine and perform a simple linear regression to determine the match formula to describe a mixed cost.
  - 9.3.7 Explain how managers use flexible budgets to set predetermined overhead rates.
  - 9.3.8 Identify how absorption and variable costing differ.
  - 9.3.9 Explain how changes in sales or production levels affect net income computed under absorption and variable costing.
  - 9.3.10 Develop an understanding on how least square regression is used in analyzing mixed costs.
- 9.4 At the end of this unit of instruction, the student will be able to:
  - 9.4.1 Examine what are value-added and non-value added activities.
  - 9.4.2 Examine how value-added and non-value added activities affect manufacturing cycle efficiency.
  - 9.4.3 Examine why cost drivers need to be designated in an activity-based costing system.
  - 9.4.4 Apply and calculate how product and service costs are computed using activity-based costing systems.
  - 9.4.5 Summarize and identify what conditions activity-based costing is useful in an organization and what information do activity-based costing systems provide to management.

9.5 At the end of this unit of instruction, the student will be able to:

- 9.5.1 Compare how job order and process costing systems, as well as their related valuation methods differ.
- 9.5.2 Distinguish the characteristics of a job order costing system.
- 9.5.3 Examine what are the primary document supporting a job order costing system and what purposes are served by each.
- 9.5.4 Categorize how costs are accumulated in a job order costing system.
- 9.5.5 Analyze how information from a job order costing system supports management decision making.
- 9.5.6 Understand and apply how losses are treated in a job order costing system.

9.6 At the end of this unit of instruction, the student will be able to:

- 9.6.1 Apply how process costing accumulated costs and calculates cost per unit.
- 9.6.2 Analyze and prepare journal entries to record manufacturing costs and transfer under a process costing system.
- 9.6.3 Analyze and calculate equivalent units of production when resources are added either uniformly or in a lump.
- 9.6.4 Analyze and calculate the unit cost for all types of costs and record them on a cost summary using equivalent units of production.
- 9.6.5 Construct a production report under the weighted-average cost flow assumption.
- 9.6.6 Construct a production report under the FIFO cost flow assumption.

9.7 At the end of this unit of instruction, the student will be able to:

- 9.7.1 Identify the two components of a standard cost and use them to calculate standard cost per unit.
- 9.7.2 Model how standard costs are used.
- 9.7.3 Compare the difference in an implications of attainable versus theoretical standards.
- 9.7.4 Develop and understanding of common guidelines for variance investigations.
- 9.7.5 Analyze and record standard direct materials and direct labor costs in the general journal.
- 9.7.6 Analyze and calculate a standard applied manufacturing overhead cost.
- 9.7.7 Analyze and calculate a manufacturing overhead budget variance.
- 9.7.8 Analyze and calculate manufacturing overhead spending and efficiency variances.
- 9.7.9 Analyze and calculate a manufacturing overhead volume variance.
- 9.7.10 List the major cause of manufacturing overhead variances.
- 9.7.11 Analyze and enter the manufacturing overhead costs in the general ledger.
- 9.7.12 Compare the use/misuse of budget variances in performance evaluation.

9.8 At the end of this unit of instruction, the student will be able to:

- 9.8.1 Explain why a company prepares a master budget.
- 9.8.2 List the components of a master budget and explain their interrelationship.
- 9.8.3 Construct a master budget for a manufacturing company.
- 9.8.4 Explain the difference between a master budget in a manufacturing company and a master budget in a merchandising company.
- 9.8.5 Construct a master budget for a merchandising company.

9.9 At the end of this unit of instruction, the student will be able to:

- 9.9.1 List the assumption's behind cost-volume-profit analysis.
- 9.9.2 Explain the relationship among total costs, total revenues, and profit algebraically.
- 9.9.3 Apply and calculate contribution margin per unit and the contribution margin ratio.
- 9.9.4 Analyze and graph cost, volume and profit data to determine break-even, profit and loss.
- 9.9.5 Analyze and calculate the margin of safety and explain its use.
- 9.9.6 Analyze and calculate the effect of cost and revenue changes on profit.

9.10 At the end of this unit of instruction, the student will be able to:

- 9.10.1 Distinguish between recurring and non-recurring decisions.
- 9.10.2 Define a sunk cost and explain why such a cost is not relevant in decision making.
- 9.10.3 Analyze and estimate changes in operating income if a special order is accepted.
- 9.10.4 Analyze and calculate relevant costs in a make or buy decision.
- 9.10.5 Analyze and calculate the indifference cost volume in a make or buy decision.
- 9.10.6 Apply relevant cost concepts to decide whether a product line should be added or dropped.
- 9.10.7 Distinguish whether a product should be sold at the split-off point or processed further.

9.11 At the end of this unit of instruction, the student will be able to:

- 9.11.1 Distinguish between a firm being decentralized or centralized.
- 9.11.2 Examine how are decentralization and responsibility accounting are related.
- 9.11.3 Identify the four primary types of responsibility centers and what distinguishes them from each other.
- 9.11.4 Analyze and calculate revenue variances.
- 9.11.5 Develop an understanding on how support department costs are allocated to operating departments.
- 9.11.6 Analyze and calculate what types of transfer prices are used in organizations and why are such prices used.
- 9.11.7 Develop and understanding of the difficulties that are encountered by multinational companies using transfer prices.

## **11.0 GRADING CRITERIA:**

- 11.1 The instructor will provide the grading criteria with the course syllabus to students at the beginning of the course.
- 11.2 Course grades will be assigned using the letter grade A-F as identified in the college catalog.